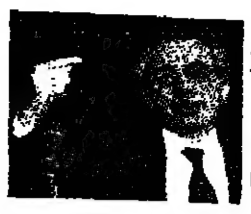

Old wine in new bottles

How much will really change in Italy?

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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY APRIL 22 1993

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Yeltsin's chances in referendum boosted by court

Russia's Constitutional Court strengthened President Boris Yeltsin's hand in the referendum to be held on Sunday by ruling that he needed only a simple majority among those voting on the two most crucial questions. The Congress had set rules under which he would need the support of half the 107m electorate. Page 16

Serbs unmoved by Owen visit: Lord Owen, European Community mediator, failed to persuade Serbian president Slobodan Milosevic to support the international peace plan for Bosnia. Page 16; Tighter sanctions unlikely to hasten end of war, Page 3

Mideast talks to resume: Arab delegations agreed to resume peace talks with Israel next Tuesday after a four-month interruption caused by Israel's deportation of more than 400 Palestinians. Page 4

Hani killing a 'conspiracy': South African police believe the murder of black activist Chris Hani was part of a rightwing conspiracy. Police investigating his murder arrested five whites. Page 4

Vote for change forces Amato to quit

Giuliano Amato (left) bowed out as leader of Italy's 51st postwar government, telling parliament the results of last Sunday's referendums had brought an end to his 10-month-old coalition. The 54-year-old Socialist premier said only a new government could cope with the outcome of the overwhelming vote for change registered in the referendums. Page 16; The people shake the pillars of state, Page 15

Gyllenhammar tops Swedish pay league: Volvo chairman Pehr Gyllenhammar disclosed that his annual salary is SKr9.5m ($1.3m), making him Sweden's highest-paid executive. Page 17; Gyllenhammar motors on, Page 18

Clinton stimulus package at risk: Republican resistance threatens President Bill Clinton with defeat in the Senate for his economic stimulus package even though he has agreed to reduce it by $4bn to $12bn. Page 16

Computer plan queried: Five of the biggest securities houses in the City of London have produced a study questioning the need for the Stock Exchange's latest £40m ($60.4m) computer project. Market survival, Page 14; Lex, Page 16

Zeneca, bioscience business of Imperial Chemical Industries, said it had started 1993 on a "firm note" with first-quarter trading profits "usefully ahead". It confirmed that arrangements had been made to encourage investors outside the UK to buy shares in Zeneca when it is demerged from ICI. Page 17; Drug sales fall, Page 2; Observer, Page 15; Lex, Page 16; Background, Page 18

Tokyo attacks US over yen: Tension between Tokyo and Washington grew after the Japanese foreign minister described as deplorable comments by President Bill Clinton which have spurred the yen's rapid rise against the dollar. Page 4

McDonnell Douglas, US defence and aerospace group, reported a sharp improvement to $216m in first-quarter net earnings after gains from resolution of tax issues and the sale in the UK of an information systems business. Page 17

Czech companies face bankruptcy: Up to a third of the 1,500 Czech companies sold last year through a privatisation programme are technically bankrupt, according to western estimates. They face possible creditors' claims when a new bankruptcy law takes effect today. Page 2

American Telephone & Telegraph, US telecommunications and computer group, announced a 12.8 per cent rise in first-quarter income, excluding changes in accounting methods which led to a net loss of $5.6bn. Page 20

Polish production rises: Poland's industrial output continues to grow, with first-quarter sales up 5.4 per cent on last year, but export earnings are falling, says its Central Statistical Office. Page 2

Maastricht timetable threat: Economic slowdown in Europe has cast doubt on the ability of Community member states to meet the monetary union timetable in the Maastricht treaty, a UK parliamentary committee said. Page 8

■ STOCK MARKET INDICES		
FT-SE 100:	2869.6	(+13.5)
Yield	3.97	
FT-SE Eurotrack 100	1157.71	(-0.41)
FT-A All-Share	1406.33	(+0.5%)
Nikkei	19,773.01	(-55.42)
New York lunchtime		
Dow Jones Ind Ave	3441.33	(-2.16)
S&P Composite	444.04	(-1.06)
■ US LUNCHTIME RATES		
Federal Funds:	$2\frac{7}{8}$%	
3-mo Treas Bills: Yld	2.849%	
Long Bond	$104\frac{7}{8}$	
Yield	6.74%	
■ LONDON MONEY		
3-mo Interbank	$6\frac{1}{16}$%	(same)
Liffe long gilt future:	Jun $105\frac{7}{16}$	(Jun $105\frac{11}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (June)	$18.935	(18.825)
■ Gold		
New York Comex (Apr)	$339.5	(339.9)
London	$339.05	(340.25)

■ STERLING		
New York lunchtime:		
$	1.5395	
London:		
$	1.5385	(1.542)
DM	2.485	(2.4675)
FFr	8.325	(8.335)
SFr	2.2425	(2.2575)
Y	170.5	(170.75)
£ Index	80.1	(80.3)
■ DOLLAR		
New York lunchtime:		
DM	1.60125	
FFr	5.40825	
SFr	1.4571	
Y	110.895	
London:		
DM	1.605	(1.6)
FFr	5.4175	(5.405)
SFr	1.46	(1.4645)
Y	111.05	(110.7)
$ Index	64.1	(64.0)
Tokyo close Y 110.35		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	KSL45		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira30	Spain	Pta200		
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.30		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50		
France	FFr8.50	Kuwait	Fils600	Poland	Z22,000	Tunisia	Din1.250		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000		
						UAE	Dh11.00		

US-EC trade war averted by partial deal on contracts

By Andrew Hill in Strasbourg and Reuter

THE US and the European Community last night reached partial agreement in their trade dispute over public procurement contracts – although Washington still planned to go ahead with reduced trade sanctions.

As part of the agreement, both sides agreed to open their government procurement markets for billions of dollars in services and heavy electrical equipment.

The EC and US had "withdrawn from what could have been the brink of a trade war," said Sir Leon Brittan, EC trade commissioner. But he said the US could still ban EC telecommunications companies from competing for US government procurement contracts.

Sir Leon announced in Strasbourg that he and Mr Mickey Kantor, the US trade representative, had failed to defuse completely the trade dispute between the two partners. "I think we have achieved a breakthrough but not a full solution," he said.

In Washington, Mr Kantor said that although the US had struck a partial deal with the EC over a public contracts dispute, it still planned to go ahead with a reduced amount of trade sanctions.

"I am pleased to announce that the US and the EC have reached an agreement on government procurement," Mr Kantor told reporters. But he said the deal fell short of US demands.

He said the sanctions, which had been due to come into effect today, would be smaller to reflect the compromise. He put no timetable on the new sanctions.

Sir Leon said a process had been started through which he was certain the "indefensible and pernicious" Buy America provisions, which give preference to US contract tenders, would be eliminated.

The US and EC did reach agreement on opening up their markets for heavy electrical equipment. The Commission will now recommend that provisions in the EC's new utilities directive, which discriminate in favour of EC bids, should be lifted in that sector.

However, the provisions will be retained for the telecommunications equipment sector, and Sir Leon said: "We fully reserve the right to react in whatever way we think proper when we see what the Americans actually intend to do."

In practice, the Commission would have to submit a proposal for reprisals to EC member states, which are said to be divided on the question. Sir Leon said that problem would only arise when the US decided what reduced measures to take in the telecoms sector.

The UK, Germany and the Netherlands are concerned to avoid a possible trade war with the US, but the new French government may take a more aggressive attitude to sanctions.

Pehr Gyllenhammar, chairman of Volvo, the Swedish motor group, leaves a shareholders meeting at which he disclosed that his annual salary is SKr9.5m ($1.29m). Page 17; Background, Page 18

Waigel warns of deficit increase

By Ariane Genillard in Bonn

GERMANY'S DEEPENING recession could take the federal budget deficit to more than DM65bn ($40bn) this year, up DM15bn from earlier government estimates, Mr Theo Waigel, the finance minister, warned yesterday.

He said extra spending by the federal labour office on unemployment benefits and retraining programmes was the main reason for the increase.

Mr Waigel's forecast came as increased worries over the extent of the domestic recession were voiced by government officials and leading industrialists meeting in Hanover, at Germany's most important trade fair.

Mr Günther Rexrodt, the economy minister, said that the country's recession was proving deeper than expected. The drop in gross domestic product, forecast at 1 per cent by the government earlier this year in its annual report, could be greater than expected, he said.

Meanwhile, the markets were disappointed with a larger than expected increase in broad money supply, up a seasonally adjusted 3.2 per cent in March.

The figure, traditionally the German central bank's key indicator in its fight against inflation, also damped hopes of further substantial cuts in German interest rates.

Mr Rexrodt said the recession had revealed structural weaknesses which prevented German companies from competing internationally. He called for a reform of the corporate tax system and privatisation of infrastructure and public services.

Mr Tyll Necker, president of the German industry federation BDI, said Germany could experience its worst recession since the second world war. He blamed the recession on weak demand for German exports and on rising domestic production costs.

Government officials said yesterday the labour office would show a deficit of DM11.5bn by the end of May.

In March the government said an extra DM3bn would be added to the forecast 1993 deficit of DM51bn to help finance the solidarity pact – the package to boost recovery in east Germany. Germany's deficit in 1992 was DM38.6bn.

Director who criticised aid bank's budget to be removed from board early

Major to join attack on EBRD spending

By Ralph Atkins, Robert Peston and Peter Norman in London

MR JOHN MAJOR, the British prime minister, is expected on Monday to use the keynote address of the European Bank for Reconstruction and Development annual meeting to criticise the bank for its lavish spending on new London offices.

He is also expected to back the call from Mr Theo Waigel, Germany's finance minister, for greater openness at the bank when he addresses EBRD's governors meeting on Monday in London. Mr Major's criticisms are expected to be diplomatically worded but express clear concern that the bank has acted with insensitivity.

It also emerged yesterday that Mr Don McCutchan, the only director of the European Bank for Reconstruction and Development to vote against its 1993 budget, is being removed from the board a year and a half earlier than he had been expecting.

Mr McCutchan, a Canadian, has been one of the most consistent critics of the bank's expenditure on its office furnishings, parties, entertaining and administration.

On December 14, he was the only director to vote against the 1993 budget of Ecu136m ($164m) for administrative expenses, up from Ecu103.5m in the previous year. The bank's 23 directors are public officials representing the 56 countries and international agencies which own the bank.

On March 5, Mr Jacques Attali, the bank's president, and Mr Brian Mulroney, the Canadian prime minister, met in Ottawa.

An EBRD director said that days later, Canadian officials arrived at the bank to conduct an inquiry into Mr McCutchan's fitness to be a director.

EBRD directors said Mr McCutchan was completely exonerated by the report. "If anything, it made him appear too good, like Mother Teresa", commented a director.

But a Canadian government spokesman said yesterday that Mr McCutchan would hold his post until this summer and would then return to Canada as part of the normal rotation of diplomatic officers. However, a friend of Mr McCutchan said yesterday that he had not been expecting to return to Canada until the summer of 1994.

The EBRD yesterday refused to make any comment on Mr McCutchan. At the weekend, Mr Attali said in an interview that Mr Mulroney had "just telephoned me to express his support", after widespread criticisms that the bank's internal expenditure had run out of control in its first two years of operation.

Mr Attali yesterday met Mr Norman Lamont, the UK chancellor. Mr Lamont urged that bank's audit committee, which is composed of eight directors and is independent of the day-to-day management of the bank, should inquire thoroughly and quickly into the reports of excessive spending on fitting out the bank's new headquarters in London and other costs such as the hiring of private aircraft to ferry Mr Attali to appointments.

Britain supports demands by directors that the committee should have external help in carrying out its investigation rather than rely on the internal auditors used normally by the bank. The outside help could be provided by a firm of accountants or chartered surveyors.

During yesterday's meeting, Mr Lamont said it was vitally important that the issues raised by the spending policies of the bank did not get in the way of the EBRD's efforts to help establish market-based economies in eastern Europe and the former Soviet Union.

Mr Lamont made clear the UK believed the bank was an important institution and needed to be run in an efficient manner. He told Mr Attali that the bank had to be able to demonstrate that its costs were under control.

Earlier this week, the EBRD board directed the bank's audit committee to report on the allegations of excessive spending within six weeks.

GPA to restructure $5.5bn debt before raising new equity

By Roland Rudd in London

GPA Group, the aircraft leasing company, has changed its refinancing plan by trying to restructure its $5.5bn of debts before raising new equity. The reshape follows problems in raising $200m through a convertible preference share issue.

None of GPA's shareholders has so far been willing to subscribe to the new shares at $1 compared to the $30 price at which some of the company's unlisted shares changed hands early last year.

GPA has therefore decided to abandon its so-called "interdependence" rule between lenders and aircraft manufacturers, whereby each group has to agree to the refinancing together. Instead it will concentrate its efforts in trying to reach an agreement with its lenders first.

It then plans to go back to its shareholders and potential new investors. The aircraft manufacturers have already agreed in principle to cancel or change contracts, reducing firm orders for new aircraft from nearly $11bn to between $2bn and $3bn.

All but six of GPA's 138 banks have also agreed in principle to defer $1bn of debt repayments until 1996.

The two banks with the biggest exposure to GPA which have not agreed to the refinancing are ABN Amro, the Netherlands' largest bank, and Arab Banking Corporation.

One of the group's core bankers said all the banks would have to sign up to the restructuring by May 7, by which time GPA's directors plan to sign off the year-end accounts.

Around $200m of bonds mature in May and June and bankers do not want to make those payments without an agreement.

GPA has hired Donaldson, Lufkin & Jenrette, the New York brokerage house, to help it complete its restructuring. It has already taken on the US investment banking firm James D. Wolfensohn to find new investors.

DLJ's participation in the restructuring has prompted speculation in the US that the group may be contemplating negotiating with the unsecured debt holders. However, GPA's UK advisers denied that such a move was planned.

Nomura International, the Japanese investment house working on the convertible, has told shareholders that without their participation the banks will have no choice but to take effective control of the company.

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MEPs call for a greener Europe

By Andrew Hill in Strasbourg

MEMBERS of the European parliament yesterday accused the European Commission of neglecting environment policy in favour of economic objectives.

Euro-MPs said they wanted principles of environmental protection integrated into all EC policies.

But Mr Ioannis Paleokrassas, the EC environment commissioner, denied the charges. "It isn't true that the Commission is treating environment policy as though it were some sort of hindrance [to other objectives]," he told MEPs. "On the contrary, we regard it as a fundamental part of policy."

Socialist deputies – the largest group in the parliament – are pressing for adoption of a strict timetable for a new European environmental action programme, which they believe could replace the single European market as a central Community objective.

Mr Ken Collins, the British Labour MEP who heads the parliament's influential environment committee, said the commissioner's statement was "unadventurous, cautious and, frankly, unconvincing".

He said he wanted the exact costs of neglecting environment policy to be laid out by the Commission, in the same way that Brussels estimated the costs of resisting a single market six years ago.

Mr Paleokrassas replied that the Commission was already preparing a timetable for further measures as part of the EC's fifth environmental action programme.

Mr Niels Helveg Petersen, foreign minister of Denmark, which holds the EC presidency, agreed with MEPs that it was "scandalous" that EC members had yet to decide on the site for a European environment agency, thus hindering implementation of "green" standards in the EC.

EC environment and energy ministers meet tomorrow in Luxembourg for a so-called "climate council", at which they will discuss proposals for a Community carbon tax.

● The European parliament yesterday voted to strengthen EC rules restricting cosmetics tests on animals. MEPs agreed to amend a delicate compromise between member states to outlaw such tests completely from the year 2000.

However, the European Commission has refused to support the amendment, which means the original compromise between member states will almost certainly survive intact. According to that agreement, cosmetics tests on animals will be banned from January 1 1998, but only if alternative testing methods have been discovered.

Bundesbank damps hopes of further interest rate cut

By David Waller in Frankfurt

HOPES of further substantial cuts in German interest rates following today's meeting of the Bundesbank policy-making council were damped yesterday after the German central bank released figures showing that broad money supply climbed at twice economists' expectations in March.

Broad money supply, traditionally the German central bank's key indicator in its fight against inflation, grew at an annualised and seasonally adjusted rate of 3.2 per cent. Economists had hoped for an increase of at most 1.5 per cent after a slight reduction in M3 in both January and February.

Disappointment with the figures, combined with poor news from Bonn on the scale of Germany's public sector deficit, helped prompt a fall in German bond prices. Yields on 10-year bonds climbed from 6.39 to 6.63 per cent, a pattern reflected in other European bond markets.

A contradictory impulse came from the Bundesbank's money market operations yesterday. The central bank cut the securities repurchase rate, the so-called "repo" rate at which it offers wholesale funds to the country's banking system, to 8.09 per cent from 8.11 per cent a week ago. The move was in line with a sequence of small cuts in recent weeks.

At the same time, the Bundesbank injected a net DM5.8bn into the banking system, helping to drive overnight money market rates down sharply, from 8.20 to 8.09 per cent. This led to speculation that in spite of the M3 figure the Bundesbank may today cut money market rates still further.

The Bundesbank blamed high credit growth for the increase in M3, which includes cash, current accounts and short-term deposits. Bank lending to the private sector was DM23.2bn last month, a fraction below the DM24.1bn in March last year. Over the last six months, bank lending to the private sector rose at an annualised, seasonally adjusted rate of 9 cent.

Economists said that much of the increase was attributable to special factors such as an unexpected rise in public sector borrowing. They pointed out that even if the March figure was disappointing, it did nothing to alter expectations that the target for M3 growth this year - 4.5 to 6.5 per cent - would be met comfortably. Last year M3 grew at 9.4 per cent compared with a target of 3.5 to 5.5 per cent, the worst performance since targeting was introduced 18 years before.

On March 18 the Bundesbank cut its discount rate by 0.5 per cent to 7.5 per cent, leaving the lombard rate at 9 per cent. The central bank is holding a press conference today, saying it wanted to present its 1992 annual report in detail. Such press conferences are unusual and the central bank may take the opportunity to cut rates further.

● Prime Minister Edouard Balladur of France will today hold talks with Chancellor Helmut Kohl of Germany, aimed at clarifying, among other things, what role and status an independent bank should play in France, writes Judy Dempsey in Berlin.

● Denmark's Nationalbank, the central bank, cut its key money market rates from 10.25 to 10 per cent yesterday, describing the move as bringing Danish rates into line with falling interest rates in other European centres, writes Hilary Barnes in Copenhagen.

Employers and union officials in the east German state of Thuringia said yesterday they wanted to meet for new pay talks in an attempt to avert a strike over wage equalisation between east and west German workers, Reuter reports from Erfurt.

A joint statement was released by local negotiators for IG Metall, Germany's largest union, and local employers.

The two sides said they wanted to ask their national leaders if they would be allowed to resume talks "in spite of and regardless of the positions up until now". The dispute, originally over employers' refusal to pay a 26 per cent pay rise from April 1, has developed into a row over how wage policy is conducted. A strike ballot has been called for April 26-28.

A spokesman for the employers said the new talks were likely to take place soon, but no date had been set.

Frenchman Bruno Peyron pictured yesterday after his record-breaking 79-day round-the-world voyage

Red Cross urges control of 'callous' landmines

By David White, Defence Correspondent

THE International Committee of the Red Cross yesterday launched a campaign to focus arms control efforts on one of the most common and callous of weapons, the anti-personnel landmine.

A symposium aimed at increasing awareness about the effects of mines, reckoned to cause 800 deaths and 450 injuries every month, is being held this week in Montreux, Switzerland.

The initiative has come from Red Cross and Red Crescent medical staff who see mines being used increasingly to terrorise civilian populations.

Dr Robin Coupland, a British surgeon with the Geneva-based organisation, said records from five ICRC hospitals in Asia and Africa showed that, out of more than 17,000 war-wounded patients, 24 per cent were mine victims. A third of these needed one or both legs amputated.

The aim is to build up pressure on governments ahead of a review of the 1981 United Nations convention covering "inhumane" weapons. A conference, which France's President François Mitterrand called for while visiting Cambodia in February, could be held at the end of the year.

The convention restricts the indiscriminate use of mines. But it applies only to international conflicts, and many countries including Britain and the US have yet to ratify it. Although the ICRC is not tabling specific proposals, suggestions for strengthening control include the prohibition of certain kinds of mine, regulation of manufacture and an export ban.

Mr Ed Cairns, a policy adviser to Oxfam, the British overseas aid organisation, said: "The onus is on governments that oppose such measures to come up with alternative solutions to protect civilian populations."

The US Congress last October introduced a one-year moratorium on exports of anti-personnel mines.

The former Soviet Union and China are the biggest suppliers among more than 35 countries making mines. Italy's role as leading western European supplier was highlighted in early 1991 when seven executives of the company Valsella Meccanotecnica were convicted for illegally exporting 9m mines to Iraq in the 1980s.

Anti-personnel mines come in two main categories: blast mines, detonated just beneath the surface, and fragmentation mines, which explode above ground, hurling metal fragments or ball bearings.

Types range from the pocket-sized Russian "butterfly" mine, widely found in Afghanistan, to the Italian Valmara 69 used by the Iraqis, which bounces into the air and fires 1,000 metal splinters over about 25 metres.

Small mines known as "toe-poppers" are designed to maim rather than kill, with the idea that a wounded soldier will require assistance from several others.

Detection and clearance is made much harder by modern plastic mines with only tiny metal components.

The number of uncleared mines across the world is estimated at more than 100m. In the Falkland Islands, for example, 11 years after the UK-Argentine conflict there are reckoned still to be about 15 mines per head of population. In former Yugoslavia mines are expected to pose a threat for decades.

Drug sales fall after Bonn health reforms

By Paul Abrahams

FRANCE overtook Germany as western Europe's largest prescription drugs market in the first two months of the year, according to data from IMS International, the specialist pharmaceuticals market research company.

German sales have been affected by a price freeze. The market has fallen about 15 per cent since healthcare reforms introduced at the beginning of January.

The company estimates sales in the seven largest western European markets – which represent about 85 per cent of the whole western European market – were $7.32bn during January and February.

Purchases by pharmacies – about 80 per cent of total drugs sales – reached $2.09bn in France compared with $1.6bn in Germany.

Italy was the third largest market with sales of $1.59bn, followed by Spain ($783m), the UK ($758m), and Belgium ($253m). Sales in the Netherlands were estimated at $248m, although the figure was extrapolated from January data. The figures exclude sales to hospitals.

The biggest selling type of drug were cardiovascular medicines, although sales were down 2 per cent at $1.52bn. Alimentary and metabolism drugs, which include ulcer treatments, dropped 1 per cent to $1.24bn. Respiratory medicines were static at $756m.

West European drug purchases by pharmacies

	Jan-Dec 1992 $m	%
Top 7 Markets	48,993	100
France	12,266	25.1
Germany	12,232	25.0
Italy	11,065	22.6
Spain	5,456	11.1
United Kingdom	4,890	10.0
Belgium	1,554	3.2
Netherlands	1,530	3.1

Source: IMS International

However, anti-infectives, which include anti-virals and antibiotics, increased 6 per cent to $805m, while central nervous system treatments increased 2 per cent to $800m.

IMS International figures for 1992 suggest the seven countries had sales of $49bn, up 8 per cent on 1991.

Cardiovascular sales were up 7 per cent at $10.86bn, alimentary and metabolism increased 8 per cent at $8.34bn, central nervous system rose 9 per cent to $5.32bn, anti-infectives increased 9 per cent to $4.46bn, and musculo-skeletal were up 5 per cent at $2.82bn.

The fastest growing areas were cytostatics, used to treat cancer, up 20 per cent at $1.15bn, and blood and organ treatments up 13 per cent at $2.5bn.

Pharmaceuticals Survey, Section II

Ukraine seeks area security zone

By Chrystia Freeland in Kiev

A TOP Ukraine official yesterday said that his country is spearheading an effort to form a central European zone of stability and security which would embrace Ukraine and its eastern European neighbours.

"Today, the most serious potential source of instability in Europe is tension between the countries of central and eastern Europe," Mr Boris Tarasiuk, Ukraine's deputy foreign minister, said. "To help resolve these tensions we propose the creation of an organisation of states in this region which have common interests."

Mr Tarasiuk said that the idea of a central European security zone was first broached by Ukrainian President Leonid Kravchuk on a visit to Hungary in February. Since then, Mr Tarasiuk said, Ukraine had begun "serious work" on the project and expected results in the "near future".

Mr Tarasiuk said such a zone would not be a military alliance or bloc but that member states would pledge not to advance territorial claims to one another, respect national minorities and increase economic co-operation.

Mr Tarasiuk said that for eastern European states such as Hungary, Poland, Romania, the Czech Republic, Slovakia and Bulgaria such an organisation could smooth the transition to fuller integration into Europe.

"They would prefer rapid integration into the west, but the west does not want them immediately," Mr Tarasiuk said. "The west is not willing to accept the countries of eastern Europe immediately into Nato, but they need some sort of security structure."

For Ukraine, a central European security zone would provide an alternative to the Commonwealth of Independent States' military bloc being patched together by Russia. Ukraine has steadfastly refused to join any CIS military or political structures.

However, Mr Tarasiuk insisted that "our goal would not be to cut Russia off from Europe. On the contrary, it would be to serve as a bridge between Russia and the west."

Ukraine is notably more enthusiastic about the creation of such an organisation than its eastern European neighbours, whose sights are still focused on the west. But the past few months have seen a marked upswing in diplomatic activity between Ukraine and Poland, Hungary and Romania which has yielded a number of political, economic and military agreements.

NEWS IN BRIEF

Polish industrial output up

By Christopher Bobinski in Warsaw

POLAND'S industrial output is continuing to grow, with first quarter sales up 5.4 per cent on last year, according to the Central Statistical Office.

At the same time export earnings are falling, and low rates of return in farming threaten a decline in food output for a second year running.

The rise in production was mainly due to increased output in the shipping and motor industries as well as the chemical and textile sectors.

Retail prices in the quarter were 39 per cent higher than last year, matching last year's inflation rate. Trade payments figures for the first two months of the year show exports at $1.8bn, down by 17 per cent and imports at $2.1bn, up by 8 per cent on last year.

Net domestic assets have grown by 11 per cent from the beginning of the year to 312,985bn zlotys at the end of March – about the rate prescribed by Poland's agreement with the International Monetary Fund.

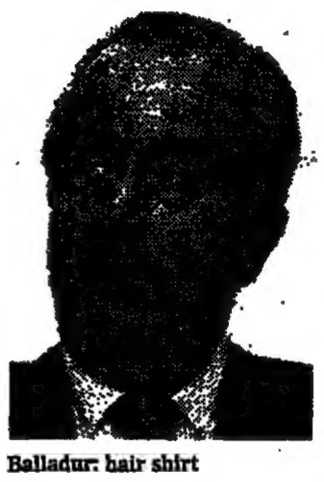
The budget deficit after three months stood at 24,000bn zlotys or almost a third of the way to the 82,500bn zloty ceiling imposed by the IMF.

Judges question Fiat chief

Mr Cesare Romiti, managing director of Italy's Fiat industrial group, yesterday appeared before magistrates investigating political corruption, writes Haig Simonian in Milan.

The move represents a considerable climbdown by Fiat, which has been heavily implicated in allegations of kickbacks to politicians on public sector contracts. Until now the company has been reluctant to co-operate, resulting in the lengthy incarceration of numerous managers.

However, Fiat's approach has recently changed as the arrests have moved up its corporate ladder. Just before Easter, magistrates issued a cautionary warrant against Mr Giorgio Garuzzo, Fiat's chief operating officer and the most senior executive so far involved. In spite of strict security, yesterday's meeting, in Milan's main police station, attracted considerable attention from the press and public.



Balladur: hair shirt

Balladur may urge pay cut

The French Prime Minister, Mr Edouard Balladur, may call on his ministers to set an example of austerity by taking a 10 per cent pay cut, the government confirmed yesterday, writes David Buchan in Paris.

Mr Balladur has already told ministers to put on a "hair shirt" by cutting entertainment and travel costs.

Mr Nicholas Sarkozy, the budget minister and official government spokesman, said that when the government was weighing new taxes and asking for public sacrifice to stem the ballooning budget deficit, "it is quite natural that those demanding such efforts should set an example".

French cabinet ministers earn a basic FFr45,000 ($8,241.75) a month, but get fringe benefits which in some cases include housing. Mr Sarkozy, who is charged with finding an immediate FFr20bn budget saving, said he could not exclude a freeze on civil service pay as well.

Moscow coup leaders defiant

The leaders of the Moscow coup attempt, who are now facing trial in the Russian supreme court, yesterday launched a public relations campaign to put across their version of events, writes Gillian Tett in Moscow.

Although the trial began last week, amid considerable political controversy, it was suspended after one day, ostensibly because one defendant suffered a stroke.

Looking subdued but defiant, the coup leaders yesterday reiterated their claim that former Soviet leader Mr Mikhail Gorbachev had been implicated in the coup, and that President Yeltsin's control of the media was denying them a fair trial.

Hundreds of Czech companies face bankruptcy under new law

By Patrick Blum in Prague

HUNDREDS of Czech companies are bracing themselves for a tide of claims from creditors when a new bankruptcy law comes into effect today.

It is unclear how many companies might be affected, but western consultants estimate that up to one third of the 1,500 companies sold last year through the voucher privatisation programme are technically bankrupt.

Many others are on the brink of bankruptcy.

After 40 years of safe but uninspired communist management, Czech companies face a big shake-out as they adapt to a market economy and foreign competition.

Their immediate problem is a mountain of debts which makes them vulnerable to bankruptcy proceedings under the new law. The collapse of traditional markets in the former communist bloc, recession at home, and the impact of the break-up of Czechoslovakia, have intensified companies' financial difficulties.

Debts have mounted rapidly as companies have stopped or delayed payments to one another. Unofficial estimates suggest inter-company debt is above Kcs200bn ($6.94bn).

The government hopes the law will help to clear up at least part of the debt, while giving indebted companies a breathing space to negotiate with their creditors.

Unlike an initial bankruptcy law approved in 1991 which was suspended because it left companies without defences against claims by creditors, the new law establishes a protective period of three to six months during which debtors and creditors can attempt to reach a settlement. Failing that, the company will be declared bankrupt and its assets seized.

Lawyers say the bankruptcy process is rapid. Debtors and creditors can file for bankruptcy in a district or municipal court. Debtors have 15 days to apply for three months' protection, and creditors have 30 days to file claims after which time they are deemed to have waived their rights.

"This is a very aggressive bankruptcy law. Major creditors will need to watch developments closely and move quickly," says Mr Daniel Arbess of White & Case, the US law firm.

Once proceedings have began the company cannot dispose of assets. The courts can also declare void any transaction concluded by the company during the previous three years if the transaction was made with intent to "curtail" the creditors' rights.

Lawyers say this clause is a potential minefield for foreign investors because it is open to widely differing interpretations. Under many joint venture agreements signed in the past three years, important assets of local companies have been transferred to joint ventures. Many of the local companies' liabilities were left out of the venture for legitimate business reasons, but lawyers fear anyone with a grudge could claim these agreements were designed to defraud creditors.

"Foreign investors had better be very careful in establishing joint ventures, and make sure everything is very transparent," Mr Arbess says.

While an initial rush of bankruptcy proceedings is expected, the full impact of the law is likely to take some time. "The courts have no expertise in bankruptcy. You have a fancy bankruptcy law, but it's a big question whether the courts will be able to operate within the timetable set by the law," says another lawyer.

In any event, proceedings against companies privatised through the voucher programme can only begin two months after the companies' shares have been distributed – this has been indefinitely postponed in the Czech Republic because of a dispute with Slovakia – while proceedings against other privatised companies have to wait until at least one third of the shares are distributed.

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NEWS: THE BALKAN CONFLICT

Moslems begin to surrender weapons

By Robert Mauthner in London, Laura Silber in Belgrade and agencies

The disarmament of Moslems in Srebrenica, the besieged eastern Bosnian town, was completed and the town demilitarised by noon yesterday, UN General Lars-Eric Wahlgren said yesterday in a statement released in Zagreb.

Moslem troops surrendered their weapons to United Nations peacekeepers under a ceasefire agreement between the warring Serb and Moslem sides signed last weekend.

"From reports I have received from my officers in Srebrenica I can confirm that from noon today the town has been demilitarised," the commander of UN peace-keepers said.

A spokesman for the UN Protection Force (Unprofor), said earlier there were only a handful of Moslem soldiers left in Srebrenica after months of fierce fighting in which hundreds have died.

He said the remaining fighters had probably fled to the hills, taking their arms with them.

Meanwhile, the UN High Commissioner of Refugees resumed aid convoys carrying food for the remaining 30,000 inhabitants of Srebrenica. But UN aid workers thought it unlikely the trucks would be able to resume evacuation of wounded, sick and elderly people.

The UN has been using French and British helicopters to bring out the most serious cases and nearly 500 have already been evacuated by this means. Unprofor wants to fly out 100 more.

In central Bosnia, sporadic clashes between Moslem and Croat fighters continued around the town of Vitez, in spite of a UN-mediated truce. Some 250 people have been killed in this latest round of fighting between the two formally allied factions. British officers of UN forces reported numerous atrocities in the area.

Tighter sanctions unlikely to hasten war's end

As the UN prepares to tighten the noose around Serbia, Laura Silber assesses the growing impact on the republic's economy and the defiance of its political leaders

MORE STRINGENT United Nations sanctions to tighten the noose around Serbia will accelerate the economic decline of the republic, but they are unlikely to bring a swift end to the war in Bosnia, according to analysts.

Additional sanctions, due to come into effect on Monday, include the freezing of Serbian financial assets abroad, the stationing of monitors on board Danube river traffic, the banning of transshipments across the former Yugoslavia – reduced to Serbia and Montenegro – and the imposition of a maritime exclusion zone along the Adriatic coast.

"The sanctions contain some very serious provisions. If implemented they will really hurt the economy," claims one Belgrade-based diplomat.

Serbians economists agree that any new sanctions will accelerate the deterioration in the economy which, despite widespread sanctions-busting, has declined steadily from the combined impact of 10 months under the existing regime of UN sanctions, two years of war and the loss of trade with the former Yugoslav republics. But the international community has been disappointed that sanctions have done nothing to stop the war in Bosnia or to foster public opposition to Serbian President Slobodan Milosevic.

Official economic statistics are incomplete, but diplomats believe those that are available highlight the extent of the economic damage.

The annual rate of inflation last year was almost 20,000 per cent, the highest in the world. Inflation last month rose by 225 per cent, and shops rarely display prices because they are changed at least once a day. Industrial production in March fell by 40 per cent compared with the same month last year.

In 1989 Serbia accounted for about 30 per cent of the old Yugoslavia's gross national product of $77bn (£50bn).

But the latest estimates suggest last year's GNP fell to about $12bn. The burden of supporting ethnic Serbs in neighbouring Bosnia and Croatia consumes about 20 per cent of GNP, according to economic analysts.

The value of the dinar was devalued last week by 98 per cent, from the previous rate of one dollar to 750 dinars to 37,500. Two days later the dollar had jumped 20 per cent above the official rate on the lively black market.

In spite of the grim picture, diplomats do not expect the economy to grind to a halt. "It is very difficult to hermetically seal a country," said one.

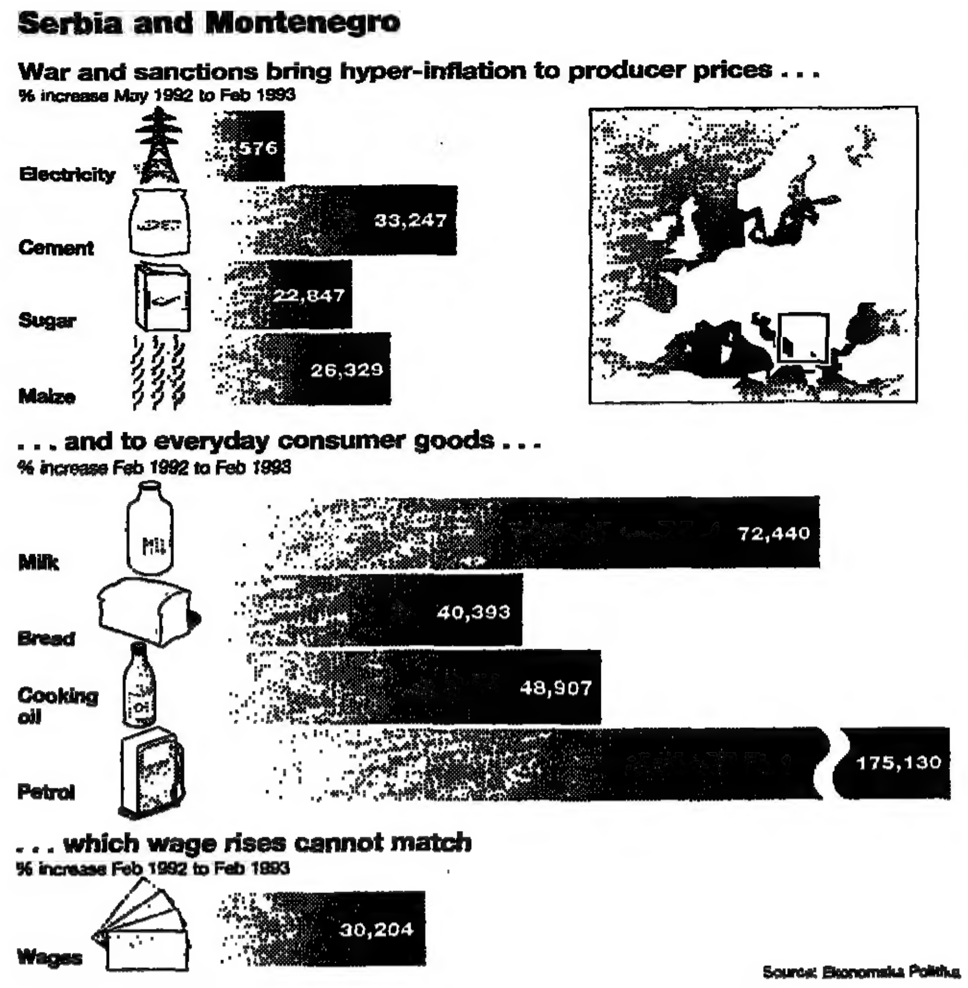
But just how vulnerable has the Serbian economy proved to be to the current sanctions? The oil embargo, for example, has slashed road traffic. On the nearly deserted motorway running through Serbia peasants driving oxen are now a common sight.

Petrol is officially rationed at five litres per car per month. But it is unavailable except at the black market price of DM3 (£1.26) per litre.

Serbia was the breadbasket of the former Yugoslavia, and farmers suffer from a lack of diesel fuel and fertilisers derived from oil. But economists believe there will be no chronic shortages of food, as the spring planting has been completed.

Loopholes have allowed Serbia to import oil via Serb-held areas in Bosnia and Croatia and through former Yugoslav republics. The Serbs have stockpiled an unknown quantity of fuel to supplement domestic oil production, which in 1991 amounted to 79,500 barrels a day, about 25 per cent of demand.

Individual Serbs have been hit hard by the deteriorating economy. The average wage has plummeted to the black market equivalent of DM27 per month, while consumers face periodic shortages of staples such as sugar and flour.



Source: Ekonomska Politika

Many Serbs, however, have been cushioned by the very high interest rates available for hard currency savings deposits. Many pensioners in particular had made ends meet on their monthly interest payments.

But the recent crash of one of the private banks offering such high rates stirred public protest, and the Serbian government is desperately shoring up Dafiment, the biggest private bank with several million such accounts.

Other Serbians have actually profited from sanctions. Belgrade criminologists say as much as 10 per cent of the 9.8m Serbians have made money out of sanctions-busting.

Ironically, sanctions have weakened opposition to Mr Milosevic, who has used them to whip up anti-western sentiments which have found fertile ground in the isolated political landscape of Serbia.

"Serbia will never bend to the will of the west," promised Mr Milosevic, who has boasted of new oil discoveries.

And there are no signs that war-weary Serbs are about to buckle. They grumble about the "unjust" sanctions, but most of their ire is still targeted at the west.

"Serbs are not guilty. Sanctions should be imposed on the people who deserve them, the Slovenes, Croats and Moslems," said a clerk waiting in vain to withdraw money from the Dafiment bank.

The state-run media constantly bills Serbs as the victims of the war and says sanctions are a western plot to destroy Serbia. And the Serbian government has showed no sign of backing down to western pressure and threats of military intervention.

Mr Zoran Lilic, parliamentary speaker, recently dismissed attempts to seal off Serbia.

"While we have food, the world cannot do anything to us," he said.

Belgrade is hit by economic crossfire

Citizens are bearing the brunt of war and UN sanctions, reports Laura Silber

OJANA Popovic, a clerk in a Yugoslav transport company, is struggling to make ends meet on a monthly budget of about $50 (£33). After nearly two years of war and 10 months of sanctions, an atmosphere of impending doom grips Belgrade. Worried about the war in Bosnia and the possibility of violence spreading to Serbia, Mrs Popovic complains little about her plummeting standard of living.

The Popovic family used to lead a comfortable life. A few years ago, Mrs Popovic and her husband, a retired doctor, thought their two children's future was secure. Mirjana was completing her medical internship and Milan had just graduated from medical school. "In 1990, I could buy a pair of Italian shoes each month. Now I am still waiting to receive my December wages. At 20,000 dinars, it will be worth less than two dollars on the black market," says Mirjana.

Mrs Popovic says inflation makes it impossible to plan. "It eats up our earnings. When I get paid, the only thing to do is buy as much food as possible," she says.

Mrs Popovic, like most of her co-workers, uses office hours to scour Belgrade stores for basic items and scarce imported goods.

Staple goods are in short supply as producers and grocery stores withhold stocks in a bid to buck government price controls."

"Before the December elections, each worker was given about 30 kilos of sugar, oil, and flour," she says, shaking her head at what she sees as electioneering by Serbian president Slobodan Milosevic.

A network of relatives and friends helps feed her family. Some people rely on relatives abroad, or on farm produce from country cousins.

Mirjana and her brother live at home, with little hope of ever earning enough to rent a flat. "That is just one of the reasons why so many doctors and engineers are trying to go abroad."

High unemployment and low wages have driven many professionals to queue outside foreign embassies seeking work anywhere outside Serbia. Mirjana was hired as a psychiatrist in an election scheme of the ruling Socialist party – still technically unemployed, she receives a salary of 40 per cent of the minimum wage, equal to $30.

The Popovics rarely drive any of their three cars. Petrol, rationed at 15 litres per month, is unavailable anyway, except on the black market, where prices continue to rise. City transport lines have been cut because of the oil blockade, causing long waits and crowded buses.

"Everyone has short tempers. I was riding to work, happy to have a seat, when a huge argument erupted among the passengers, jammed in the bus. One man said 'this is what you deserve for voting for Milosevic'," says Mrs Popovic.

A sense of uncertainty and hopelessness has taken hold of their lives, says Mrs Popovic, who spoke on condition her real name was not used. The 49-year-old remembers Belgrade after the second world war. "Bread was rationed at half a kilo per person. But then no one had anything and, together, we all waited for better days. Now we have no prospects."

Tokyo attacks Clinton for pushing up yen

By Charles Leadbeater in Tokyo

THE YEN'S rapid ascent against the US dollar, fuelled by recent remarks by President Bill Clinton, yesterday threatened to provoke an open war of words after the Japanese foreign minister described the president's comments as deplorable.

The dollar ended Tokyo trading yesterday Y0.10 down at Y110.35 after falling to an historic low of Y109.90 during the day.

The Japanese currency's sharp increase followed comments by Mr Clinton's at the weekend that a stronger yen would help to reduce Japan's trade surplus.

The clash over the yen means that less than three months into the life of the Clinton administration there is mounting tension with Japan on the three main aspects of their economic relations – exchange rates, the amount of stimulus being provided by Japanese macro-economic policy and trade negotiations where the US is pressing for market share targets for US goods in Japan.

The sense of siege in Tokyo's Otemachi financial district was echoed by mounting frustration in Nagatacho, the political district, with what many Japanese politicians regard as unwarranted US intervention in Japan's economic policy.

Mr Kabun Muto, the foreign minister, was the most outspoken. Mr Muto openly criticised Mr Clinton, saying: "It is extremely unusual for a head of state to refer to currency exchange rates and a departure from the norm for someone with top authority to say something like that."

Mr Muto's comments were echoed by warnings from business leaders about the likely damage to Japanese growth. Mr Gaishi Hiraiwa, chairman of the Keidanren, the federation of economic organisations, said the yen's rise would fetter Japan's economic recovery and expand the trade surplus in the short run. Mr Isao Yonekura, his deputy, said the rise would "throw cold water on the economy" just as it is recovering.

The growing criticism of US policy will put increasing pressure on Mr Kiichi Miyazawa, the prime minister, to take a tough line over trade negotiations with the US. Mr Miyazawa has unsuccessfully attempted to play down the significance of *Mr Clinton's* remarks in an attempt to head off possible direct conflict with the US.

Mr Miyazawa and Mr Yoshiro Hayashi, finance minister, who are close *political allies, had hoped* sustained intervention by the Bank of Japan would slow the yen's rise. The central bank intervened throughout yesterday, the third day in a row.

Mr Hayashi again appealed for calm, offering exporters the hope the yen's rise was a temporary product of speculation.

Finance ministry officials are urging patience, arguing that the US administration is still working out the balance between its macroeconomic and exchange rate policies. Officials argue the Clinton *team does not* realise how a stronger yen could damage the US economy through slowing Japanese growth and weakening the Tokyo stock market, which could *affect stock markets elsewhere.*

The yen's rise partly reflects economic factors. Mr Robert Feldman, economist at the Tokyo branch of Salomon Brothers, the US securities house, said the yen was moving to a new trading range of about Y108 to the dollar from its previous range of about Y120.

According to Mr Feldman this reflects the scale of the Japanese trade surplus, which amounts to 3.3 per cent of gross national product, the need to stimulate an outflow of long term capital from Japan and the gap between US and Japanese interest rates.

However, the yen's ascent from about Y125 to the dollar at the turn of the year has been intimately linked to US policy and pronouncements.

The yen was first lifted by Mr Clinton's budget cutting plan which helped to lower US interest rates. That was followed by comments by Mr Fred Bergsten, an influential US economist, that the yen should rise by about 20 per cent.

On February 19 Mr Bentsen told reporters he favoured a stronger yen and last weekend Mr Clinton said a stronger yen was one factor which could reduce the Japanese trade surplus.

Palestinians to resume peace talks

By Roger Matthews, Middle East Editor

ARAB negotiators agreed yesterday to resume *Middle* East peace talks in Washington next Tuesday after an interruption of more than four months caused by Israel's deportation of over *400 Palestinians.*

The decision was announced in Damascus following a final meeting of representatives from Syria, Jordan, Lebanon, Egypt and the Palestinians. Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, arrived in Damascus after a bruising session with colleagues in Amman during which he only narrowly secured approval for the resumption of talks with Israel.

Two members of the Palestinian negotiating team immediately announced their resignations and the leader, Mr Haidar Abdel-Shafi, said he had been surprised by the Damascus decision. "Our *recommendation to the PLO* leadership was that we should not go until Israel has responded to our requests."

During violent protests in the occupied Gaza Strip yesterday, Israeli troops shot and killed a Palestinian youth and wounded dozens more. Israeli helicopter gunships later attacked two villages in south Lebanon after guerrillas fired Katyusha rockets at the border town of Metulla and the western Galilee area.

The Arab decision to resume negotiations was welcomed by Mr Yitzhak Rabin, Israel's prime minister, and by Mr Warren Christopher, the US secretary of state. Mr Christopher said the decision would be welcomed by the entire world community and he again pledged that the US intended *to become a "full partner"* in the peace process.

Next week's talks, the ninth round since the inaugural session in October 1991, could *decide the fate of the peace* process. They will be open-ended and the pressure that had to be applied to win Palestinian participation underlines the bitterness within the occupied territories at the failure of their negotiators to make any substantive progress towards self-determination. In a statement issued after their meeting in Damascus, Arab foreign ministers laid the blame for the impasse on the "continued obstacles" created by Israel.

They condemned "Israeli aggression against Lebanese territory", the expansion of Jewish settlements in the occupied territories, the mass *deportations of Palestinians,* "the blowing up of houses and killing of civilians", and urged a lifting of the order which for more than three weeks has sealed off the West Bank and Gaza Strip.

The foreign ministers said the decision to return to Washington was based on the assumption the US would implement all the assurances and undertakings it had given during recent discussions. Mr Christopher praised Egypt and Saudi Arabia for persuading *the Palestinians* to resume talks, but made no mention of assurances given to the Arab delegations. He said a statement was expected from Israel.

Officials fence over Hong Kong's future

Simon Holberton and Tony Walker on the long talks ahead for China and Britain

SINO-BRITISH talks about *Hong Kong's future* constitutional arrangements, which begin in Beijing today, promise to be among the most difficult the two countries have had since they first sat down to negotiate the colony's change in sovereignty more than a decade ago.

After six months of verbal warfare, British representa*tives in the Chinese capital* are bracing themselves for intricate talks that may drag on for months and carry with them no guarantee of a successful *conclusion.*

On the eve of talks, Beijing has muted its more extreme rhetoric, but this week Mr Lu Ping, head of China's Hong Kong and Macao office, firmly restated so-called "guiding principles" which call for strict adherence to prior agreements in the lead up to 1997.

At issue for Britain is the way in which Hong Kong elects its 60-member Legislative Council (Legco), the colony's lawmaking body, in 1995. Proposals by Mr Chris Patten, *the governor, envisage a broad*ening of the franchise so that a greater number of Legco members are popularly elected.

For China it is how to secure a legislature that it has had a hand in fashioning, and possibly how to see off Mr Patten, once and for all.

In Beijing's latest pronouncement, Mr Lu said in yesterday's People's Daily, the Communist party newspaper, that Mr Patten's plans for elections could not be used as the basis of negotiations.

He also emphasised that "all the Legco members elected in 1995" must be approved by the preparatory committee of the Hong Kong special administrative region. This body was not due to come into operation until 1996, but its birth may be brought forward if talks fail.

In effect, China is demanding in advance the right of veto over candidates for the Legco elections. This will prove a difficult, if not impossible, pill for the UK to swallow.

A successful conclusion to talks holds with it the promise of Chinese approval for the financing of Hong Kong's new airport project, which has been in limbo ever since Mr Patten's appointment as governor was announced a year ago.

Success may also bring in its wake a more constructive attitude by Beijing to the technical aspects of the colony's handover which are meant to be *discussed by the Sino-British* Joint Liaison Group. Today, the JLG is barely functioning.

Initially China is not expected to reveal much of its hand. It will take the UK team to task over Mr Patten's alleged violations of the "sacred texts" – namely the 1984 Joint Declaration, the 1990 Basic Law and a series of exchanges between foreign ministers in 1990 – which, it will claim, were high points in bilateral co-operation and mutual understanding.

It believes Mr Patten's proposals run counter to the spirit, if not the letter, of these agreements, by broadening the democratic process in the lead up to 1997. Put simply, China fears a less than pliant Legco; it is also concerned about a *Hong Kong democratic model* inspiring liberal elements on the mainland.

The British assume that the subject of the talks will be about Hong Kong's 1995 elections. Yet the risk exists that China may use the negotiations to increase its influence over the governing of Hong Kong much as it sought to do in 1990 and 1991 over the airport.

Officials believe that the most contentious parts of Mr Patten's seven-point plan, include his proposal for a democratic election of an electoral college to choose a sixth of Legco members; and, that the voting pool for nine other seats comprise Hong Kong's entire working population of 2.7m.

These are controversial – both in Beijing and among sections of Hong Kong's elite – but if China wants to drag out the talks it could cavil over *others: specifically Mr Patten's* proposal that the 20 seats of the 1995 Legco be decided on the basis of voting in single-member constituencies.

British officials are hoping that international factors may now be weighing more heavily with Beijing; indeed, this may explain both China's decision to cool propaganda attacks on Mr Patten, and its agreement to resume talks.

China wants membership of the General Agreement on Tariffs and Trade – a symbol of its acceptance by the world trading community. Similarly it *wants to host the Olympics in* 2000, and a continuing row over Hong Kong would not help its chances for that decision, due on September 23.

But a lingering worry for British officials is that China may use the talks to filibuster, so as to defeat Mr Patten through diplomacy where bombast has failed.

Since last week's announcement of talks Mr Patten has been successful in winning Hong Kong's support for one key requirement of any agreement: that those who stand for election in 1995 serve until 1999, the first two years of Chinese administration. A poll published in the Sing Tao newspaper showed that 73 per cent of respondents want those elected in 1995 to continue to sit in Legco after the change in sovereignty.

But if Hong Kong's clear desire for China to concede that point poses difficulties for Beijing, Mr Patten will not be immune from problems himself. During the talks the governor, who will oversee the conduct of negotiations from Hong Kong, may find he is torn between his heart and his head.

Those close to him say he would be unhappy with a agreement that did not command the support of Hong Kong democratically-elected politicians.

But, said one foreign office official, such an aim would be impractical: "I do not see how he could throw out a deal on the basis of the minority not liking it. It would not be practical politics and there would be uproar in Hong Kong."

Mr Patten is a long way from having to make that decision. Last month he demonstrated his preparedness to confront China when he published, to Beijing's horror, his version of legislation for the 1995 elections.

Yesterday China warned that it would not be prepared to countenance another such move. Mr Lu warned that "if the present Hong Kong government clings obstinately to its course ... then *objectively* and unavoidably it would become a 'lame duck' government."

Chris Patten Hong Kong's governor, may be forced to choose between his head and his heart as he observes the Sino-British talks

MR Chris Patten, Hong Kong governor, yesterday urged the US not to link *renewal of Most Favoured* Nation (MFN) trading status for China to his dispute with Beijing, AP-DJ reports from Hong Kong.

"Please don't" bind the two issues, Mr Patten said in a speech to the American Chamber of Commerce in the colony. "Hong Kong would like China's MFN rights renewed this year."

US President Bill Clinton must make a decision about renewing China's preferential *tariff treatment by June 3.*

Keating to ease labour powers

By Kevin Brown in Sydney

AUSTRALIA'S Prime Minister Paul Keating yesterday signalled that relaxation of the centralised industrial relations system would be a top priority for the re-elected Labor government.

Mr Keating used his first public appearance since Labor's surprise victory in last month's election to foreshadow a further weakening of the Industrial Relations Commis*sion (IRC),* the statutory labour tribunal.

The IRC relaxed its supervision of national wage bargaining two years ago after strong *pressure from the government* for a move to direct bargaining between companies and employees.

However, the impact of company-level bargaining has been limited by the IRS's continuing right to veto agreements, the complexity of overlapping state and federal regulations, and the exclusion of non-unionised workforces. Only about 800 company-level agreements have been signed.

Mr Keating said the IRC was unsuited to the "flexible" *industrial* relations system envisaged by the government, which would reduce national awards to a "safety net" for workers unable to reach work*place agreements.*

The government is expected to introduce legislation later this year to weaken the legal standing of the IRC and reduce its powers to order compulsory arbitration.

However, the government may have difficulty in forcing legislation through the Senate, the upper house of parliament, where the balance of power is held by minority parties opposed to reform.

Pakistan 'implicated in blasts'

By Shiraz Sidhva in New Delhi

INDIA said yesterday that investigations into the series of bomb blasts that rocked Bombay on March 12 clearly revealed Pakistan's organised support and involvement in the "planning and execution" of the terrorist attack.

In a statement to parliament yesterday, Mr S B Chavan, the Indian home minister, stated that India had proof of Pakistan's involvement in the *blasts, which killed 250* people. The minister said Pakistan had given shelter to members of the Memon family, prime suspects in the case, *despatched arms and explo*sives to the Indian coast, and trained people involved in the blasts.

Mr Chavan said that the investigation by the Bombay police had revealed, among other things, that there was a conspiracy hatched by Pakistan with Mr Dawood Ibrahim, the Dubai-based don of the Indian underworld, and Mr Ibrahim Abdul Razak Memon, a close aide of Mr Dawood, to destabilise India.

Meanwhile, Mr Ziauddin Bukhari, a prominent Moslem League politician and a former member of the state legislature, was shot dead yesterday in south Bombay by four unidentified gunmen.

● Maoist rebels killed at least 17 people, including 10 policemen, in an attack on a market town in Maharashtra state, the Press *Trust of India* (PTI) reported yesterday, Reuter adds.

The rebels set off a landmine under a police vehicle on Tuesday and opened *fire on* bystanders. The People's War Group, a Maoist organisation was believed to be responsible.

Bank to resume Kenyan aid

THE WORLD Bank said yesterday it had agreed to resume aid to Kenya which was suspended in November 1991 after the government failed to honour economic reform commitments, Reuter reports from Nairobi.

The decision in effect ended a bitter row between Kenya and western donor institutions and followed a devaluation by the government on Tuesday of the shilling, the second in two months.

Mr Edward Jaycox, the bank's vice-president for Africa, said a tranche of some $170m (£112.5m) in quick-disbursal aid was immediately available from a previous agreement and would clear the way for future financing.

"Kenya has met the conditions. The president and his economic team have reaffirmed their commitment to reforms in a very convincing way," Mr Jaycox said.

He added that the World Bank was now in a position to resume financial support and he expected an agreement within the next 10 days. The government had agreed to reverse a rapid increase in money supply and to bring inflation, now running at 40 per cent, under control.

World Bank officials said the agreement should trigger more support from the International *Monetary Fund* and western donor nations, who also cut off aid in November 1991.

Hani murder 'a conspiracy'

By Patti Waldmeir in Johannesburg

SOUTH AFRICAN police said yesterday they believe there was a right-wing conspiracy to murder black activist Mr Chris Hani, who was buried on Monday.

In a pre-dawn raid they arrested five more right-wing whites, including Mrs Gaye *Derby-Lewis,* Australian-born wife of Mr Clive Derby-Lewis, a leading Conservative party member already in custody for the same reason.

The Conservative party is the official parliamentary opposition, and the new arrests lend weight to suspicions that the conspiracy to murder Mr Hani extended well beyond extreme-right fringe groups, to the top of the right-wing establishment.

They have provoked a crisis in the Conservative party, whose leader, Mr Andries Treurnicht, seems likely to retire after a heart bypass operation earlier this week.

Political analysts say the Conservative party's defeat in last year's white referendum left white radicals with no constitutional avenue for resistance. Yesterday's arrests suggest that some, at least, may have turned to violence.

Meanwhile, at least nine people were injured when a car bomb exploded in the coastal town of Amanzimtoti yesterday.

Dream comes true as Eritrea heads for independence

Julie Wheelwright reports from Asmara

AN AFRICAN dream that goes back three decades is set to become reality.

Over the next three days some 1.2m Eritreans will vote in a referendum which offers independence for what most of the world has regarded as a province of Ethiopia.

The suggestion that the outcome of the United Nations-monitored poll will be other than an overwhelming Yes is dismissed by most Eritreans with good humoured laughter or a dismissive wave.

The goal has sustained the people of Eritrea, a rugged territory the size of England, through war, drought and famine. Eritrea, which lies along the Red Sea just above the Horn of Africa, in 1961 began its battle for independence – or as Eritreans see it, the recovery of a lost sovereignty.

First against Emperor Haile Selassie and then President Mengistu Haile Mariam's Soviet-backed Derg regime, a guerrilla force took on one of Africa's biggest and best equipped armies. In May 1991 the Eritrean People's Liberation Front *(EPLF) overthrew Col Mengistu's* forces and liberated the territory.

The new government in Addis Ababa, the Ethiopian People's Revolutionary Democratic Front, (EPRDF) immediately supported the EPLF's bid for autonomy and a referendum on the issue. This week's vote will finally secure international recognition and end the long dispute over the colonial boundaries laid down by Italy, Eritrea's colonial ruler from 1890 until its defeat by Britain during the second world war. After 1941, Eritrea became a British protectorate until its UN-sanctioned federation with Ethiopia in 1952.

A commitment to multi-party democracy has formed a central tenet in the EPLF's policy since 1987 and Mr Issaias Afewerki, secretary-general of the Provisional Government of Eritrea (PGE), *insists the front will be dissolved* once a constitutional government is established. But there is still no organised opposition and parties based on ethnic or religious affiliations are outlawed.

With official UN recognition, Africa's first state since colonial days to mount a successful secession is now set to receive more than £88m for reconstruction projects from aid agencies and the World Bank. But the PGE puts the cost of reconstruction to bring the country back to its pre-war industrialised state at £1.3bn.

The country's infrastructure and vital Red Sea port Massawa have been shattered, 80 per cent of its citizens depend on food aid and the *annual per capita income is a mere* $77 (£51). The war ravaged the country's agriculture, on which more than 90 per cent of the population depends, and a third of its topsoil has been lost. The country also faces the imminent return of 750,000 refugees, many of whom had fled to neighbouring Sudan.

Mr Haile Woldense, economic development and co-operation secretary, says foreign investment to kick-start indigenous industry is a high priority to avoid the vicious cycle of aid dependency and international debts which has gutted the optimism in many African nations. "If it is available, foreign support is good but we cannot have programmes based on the expectation of foreign support," he says. To promote self-sufficiency, the PGE has already designated seven factories for outright sale and another six will be given corporate status.

Eritreans exemplify the cliché that a nation's greatest resource is its people. After demobilisation, over 75,000 EPLF fighters stored their AK-47s in central depots and volunteered *two years' unpaid* labour towards reconstruction. The EPLF forces, a third of whom were women, sought to lay the groundwork of Eritrea's political and eco*nomic independence. In exchange* for lodging and food rations, they are now building roads and dams, planting trees and have cleared more than 250,000 landmines.

Eritrea's relations with Ethiopia will be delicate. Ethiopia will become landlocked, losing control over the ports of Massawa and Assab, although the PGE has guaranteed it access.

The most visible opposition to Eritrean's imminent secession has come from Amharic students in *Addis Ababa* who demonstrated against the UN's intervention in the referendum process. During the visit in January of Mr Boutros Boutros Ghali, UN sec*retary-general,* Ethiopian troops fired into the crowd killing one and injuring several others. Mr Afewerki dismisses the protesters as "remnants of the Mengistu regime *and the imperial era*" and regards Eritrea's relationship with Ethiopia as mutually beneficial.

Afeworki: wants democracy

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Taiwan delays N-plant deadline

By Alexander Nicoll, Asia Editor

TAIWAN has postponed the deadline for bids on a 2,500MW nuclear power station, the country's fourth.

Taipower, the state utility, is understood to have ordered the delay - the deadline was yesterday - because of uncertainty about the bid price mechanism.

Nuclear Electric, Britain's state-owned generator of nuclear power, is bidding for the project in partnership with Westinghouse of the US. Their design would be identical to that of Sizewell B, Britain's first pressurised water reactor which the companies have nearly completed.

Taiwan currently has a nuclear power capacity of 4,934MW supplied by six units, and 38 per cent of its electricity comes from nuclear power. It is one of a number of Asian countries which could provide export markets for the nuclear power industry in coming years, given rapid economic growth which is putting increasing strain on infrastructure.

Nuclear Electric says success for its bid in Taiwan would produce £1bn in export orders for UK industry and could provide 10,000 British jobs. It says its bid is competitive in spite of the high costs of the Sizewell B plant which were driven up by factors such as licensing. The Taiwan plant would also benefit from economies of scale.

Westinghouse invited Nuclear Electric to be its partner in the Taiwan bid immediately after the British company issued the design of its planned Sizewell C unit last year.

EC to curb Czech and Slovak steel

By Andrew Hill in Strasbourg

THE European Commission yesterday agreed to limit imports of steel from the Czech and Slovak republics over the next two years. The decision is part of an effort to protect the EC's struggling steel industry from recession, overcapacity and cheap imports.

The Commission announced that the agreement would allow a "progressive increase" in imports until 1995, "balancing the twin imperatives of restructuring for the [Community] steel industry and gradual opening of trade with [east and central Europe]".

Officials were not immediately able to give more precise information about the restrictions or the products affected, but further details were expected to emerge later.

Sir Leon Brittan, trade commissioner, had been arguing for a relatively generous increase in imports of 35 per cent up to 1995, compared with 1991 figures. But his colleague, Mr Martin Bangemann, responsible for industry, wanted to a 20 per cent limit, following complaints from EC producers that imports of cheap east European steel were destabilising the Community market.

Mr Bangemann and Mr Karel Van Miert, competition commissioner, met EC steelmakers last night in Germany to discuss the industry's closure and restructuring plan. Producers have until the end of September to come up with realistic capacity cuts, to be backed by a package of commercial and financial measures agreed by Community members.

EC industry ministers said in February they would support tariff-quotas on imports of individual steel products from the east alleged to be undermining the EC market. The Community had already agreed in principle to restrict Czech and Slovak steel imports, under the terms of trade agreements with the two republics. Yesterday's decision should bring those restrictions in line with the terms of the general support plan.

Atlantic flights free-market plan

Daniel Green looks at prospects for new Anglo-US airline treaty

THE COUNTDOWN to a possible revolution in transatlantic air travel began this week.

Britain and the US have given themselves a year to scrap a 16-year-old treaty governing air transport between the two countries and to replace it with a free-market alternative that promises more choice and convenience while keeping a lid on fares.

"It is an ambitious timetable," said Mr Federico Peña, US transportation secretary. His UK counterpart, Mr John MacGregor, confirms "there will be difficult decisions by both sides".

A new treaty may also trigger changes between the US and other countries, especially France, Germany and Japan, which are unhappy with their own bilateral arrangements.

The rulebook that the US and UK want to scrap, the 140-page Bermuda 2 agreement, was signed in 1977. It replaced the post-war Bermuda agreement and specifies, for example, that only two named US carriers, American Airlines and United Airlines, can land at the world's busiest international airport, London's Heathrow.

The question of access to Heathrow will be central to the US position in talks with the UK. Washington has long argued that British Airways controls most of the landing slots at the best times of day, preventing efficient competition between the two countries' carriers.

But the UK is likely to be wary of taking steps that would undermine the

Peña: no significant progress

position of BA, one of the country's most successful companies. Opening up Heathrow might also allow in US carriers operating under Chapter 11 of the US bankruptcy code which shields them from paying debts. Even solvent US carriers have argued that competition from Chapter 11 rivals such as TWA and Continental is unfair.

The UK's biggest concern is that its airlines cannot fly beyond a handful of US "gateway" cities, their first and only landing points. Nor can they buy control of US carriers to reach the vast domestic US market; US law prevents foreign control of airlines.

These mean that someone who wants to go to Britain from any but the largest US cities has little choice but to fly with a US carrier, both for the domestic and transatlantic flights.

Yet the Clinton administration may find it difficult to introduce more competition into a market where almost everyone loses money. Only one US carrier made a profit last year, Dallas-based Southwest Airlines.

Washington may also pre-empt the talks on foreign control of US airlines. This is one of the areas to be addressed by an airline commission, initiated by Mr Peña, which is scheduled to report its findings by late summer.

Air transport officials in Paris, Bonn and Tokyo will watch closely the progress of the US-UK talks. France has abandoned its own bilateral agreement with the US and wants tight limits on US market share of the routes between the two countries: Air France's market share has fallen to one-third.

Without the framework of the agreement US and French officials will have to meet every six months to discuss the next season's services between the two countries.

Mr Peña said he hoped that rapid agreement between the UK and US "would encourage France and the US to come to the negotiating table".

The German bilateral agreement is set for renegotiation this autumn, but positions are already hardening. This month Mr Jurgen Weber, Lufthansa's chairman, said that existing rules gave US carriers an unfair advantage.

Tokyo is locked in a dispute with the US over whether US carriers travelling

Only one US carrier made a profit last year

to south-east Asia and Australia via Japan should be allowed to pick up large numbers of Japanese citizens on the way.

"We have had discussions with the Japanese. We have not made significant progress," said Mr Peña.

If Bermuda 2 is replaced by a free-market alternative, it could strengthen the US case in these debates with France and Germany.

But it will not be an easy task to draft a full treaty agreeable to both London and Washington in a single year. Mr MacGregor is already talking of signing an interim deal if necessary, one that perhaps postpones some of the more difficult decisions.

S Africans win ECGD backing

THE UK Export Credits Guarantee Department (ECGD) has announced it is supporting a $225m line of credit to three South African companies to finance expansion of a stainless steel plant in eastern Transvaal, Reuter reports.

It is the largest line of credit the ECGD has supported to South Africa and will help buy capital plant and equipment for Columbus Joint Venture's Middelburg site.

Columbus Joint Venture is a partnership between Highveld Steel and Vanadium Corp, Samancor and the Industrial Development Corporation of South Africa.

Davy International will design, install and commission hot and cold rolling mills to expand production to 500,000 tonnes of steel by 1995, the department said.

Davy's British sub-contractors will also benefit from the financial package, said the ECGD. Kleinwort Benson, the merchant bank, has co-ordinated the non-South African element of the financing.

A project line of credit is a loan from a bank in Britain to finance purchases by a single overseas buyer from British exporters. Up to 85 per cent of the value of the purchases may be financed in this way.

ECGD guarantees the lending bank full repayment of the loan and a reasonable return.

Kvaerner wins its biggest single order

By Deborah Hargreaves

THE Norwegian group Kvaerner Engineering has won a Nkr1bn (£96m) contract - its biggest single order - for engineering and construction work on a new gas platform in the Norwegian sector of the North Sea.

The contract was placed by Statoil, the Norwegian state oil company, for its Sleipner "T" gas treatment platform. The contract extends over four years as part of the Sleipner West development.

Kvaerner said the contract meant it taking on part of the project management traditionally performed by the oil companies. Allocating part of the project risk to contractors - known as partnering - is becoming popular as a way for the oil industry to cut costs.

Second airport to be built in Thai capital

THE THAI cabinet has approved a plan to build Bangkok's second airport at a cost of at least $3.2bn (£2.11bn), a government spokesman said yesterday, Reuter reports from Bangkok.

He said the Airport Authority of Thailand would carry out the initial work, preparing about 8,000 acres of land in the south-eastern suburb of Nong Ngu Hao, about 20 miles from central Bangkok.

The capital's existing Don Muang airport will reach full capacity by the turn of the century despite a recent government decision to expand it to serve 25m passengers a year, compared with 17m now.

The Nong Ngu Hao airport is planned to have an initial capacity of 30m passengers a year by the year 2000. The project will be fully completed by 2020 when its annual capacity will be at least 55m passengers.

Run-off vote for mayor of Los Angeles

By Louise Kehoe in San Francisco

LOS ANGELES voters have sent two candidates for mayor to a run-off election in June but have rejected a measure that would have put 1,000 extra police on the city's streets.

The city is choosing a successor to Mayor Tom Bradley, its first black mayor, who has held the office for the past 20 years. While Mr Bradley himself is retiring under the cloud of last year's riots which destroyed thousands of small businesses, the election has been largely overshadowed by the Rodney King beating trial.

Mr Bradley was due yesterday to meet Mr Ron Brown, US commerce secretary, who is spearheading the Clinton administration's efforts to boost California's flagging economy. The latter has suffered from the effects of defence industry cuts and now faces the closure of several military bases.

Tuesday's mayoral race in the second-largest US city attracted two dozen candidates, none of whom won a majority. The top two candidates, Mr Richard Riordan, a conservative businessman, and Mr Michael Woo, a Chinese-American known as one of the city's most liberal councillors, will face a run-off on June 8.

Mr Riordan, a white millionaire, won 33 per cent of the vote. He campaigned on the slogan "Tough enough to turn LA around" and attacked Mr Woo as an ineffective politician who could not rehabilitate the seedy Hollywood section of his city council district.

Mr Woo, the grandson of Chinese immigrants, won 24 per cent of the votes. He promised to provide $100m in city-backed loans to businesses in impoverished South Central, a mostly black and Hispanic district that suffered badly in last year's riots.

A ballot initiative that would have raised property taxes by about $80 per household to recruit 1,000 more police failed to attract the two-thirds majority needed. An identical ballot measure was also rejected by voters last year.

The defeat is a setback for Mr Willie Williams, Los Angeles' new police chief, who campaigned for the measure. He had hoped that the calm following verdicts in the King beating trial would have persuaded voters to pay for additional police. On Monday, as he announced an end to full mobilisation of police, he stressed the benefits of having extra officers on the streets.

In the seven days leading up the verdicts, murders were down from 15 to seven, assault cases fell from 425 to 345 and sex cases were reduced from 75 to 47, he said.

US promises to sign biodiversity treaty

By George Graham

PRESIDENT Bill Clinton yesterday promised that the US would sign the biodiversity treaty, which former President George Bush rejected last year at the Earth Summit in Rio de Janeiro.

The treaty, which lays down obligations to list, monitor and protect endangered species, is open for signature until June 3.

The Clinton administration has shared many of Mr Bush's reservations about the treaty, which has been criticised for vagueness which could imply a threat to the intellectual property rights of US biotechnology companies and over an apparently open-ended commitment for developed countries to finance less developed nations.

However, the US has prepared an interpretative statement explaining its reading of the treaty, and has been working with other industrialised countries to get them to sign on to these interpretations.

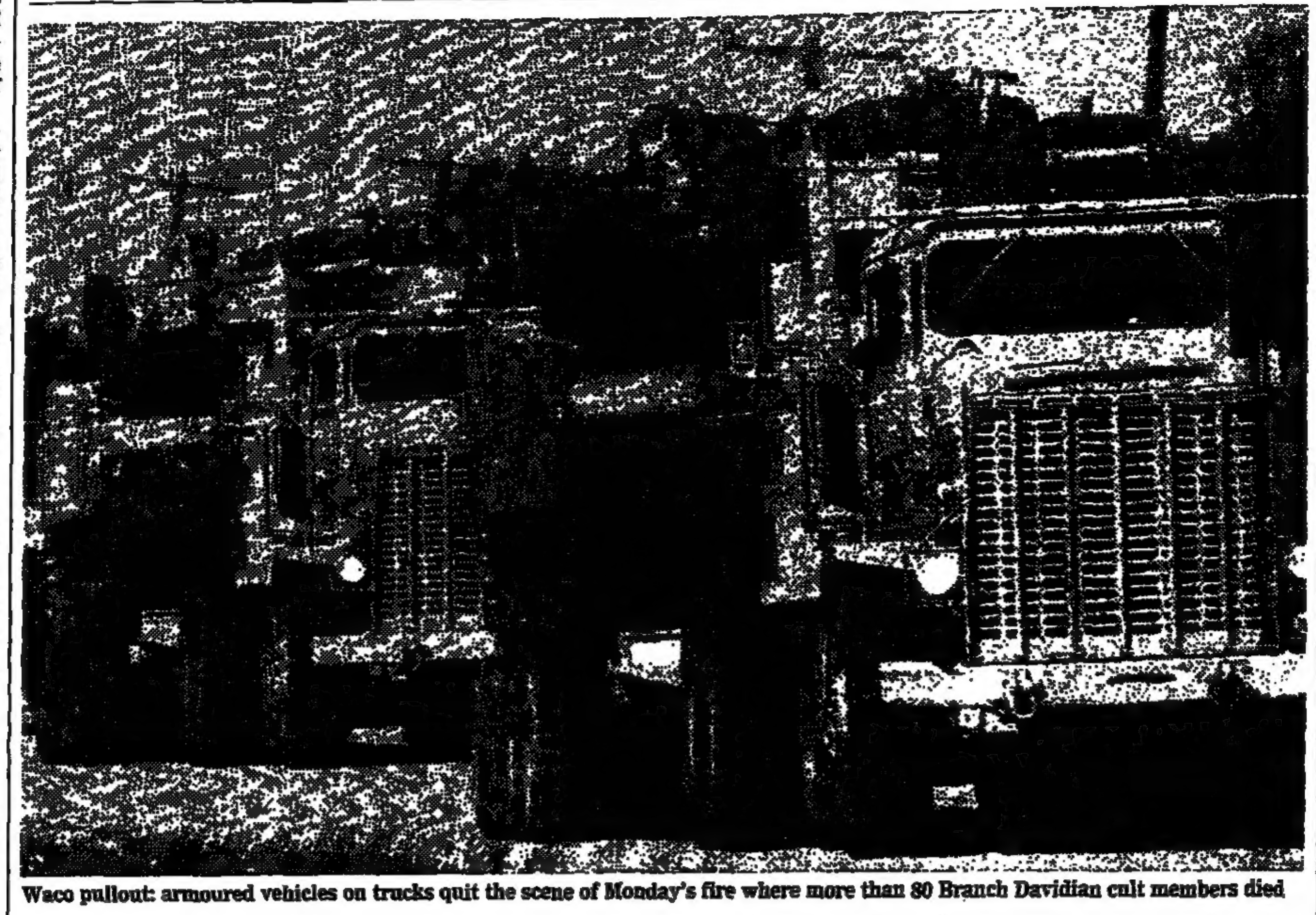
Mr Clinton also promised that the US would move to meet its obligations under the global warming treaty, also agreed in Rio last year, by stabilising its emissions of carbon dioxide at 1990 levels by the year 2000. He promised to develop a plan by August to meet this commitment.

The administration has been divided about how aggressively to pursue this goal, with Treasury and Energy Department officials, as well as influential members of Congress such as Mr John Dingell, warning that explicit measures to curb emissions needed to be analysed to determine their impact on the economy.

Environmentalists had initially expected much of the Clinton presidency, but Mr Clinton has found that he faces much the same practical constraints on action as his predecessor.

● The Bureau of Land Management, which manages 270m acres of federal government lands mostly in the West and Alaska, has dropped plans to allow logging in Oregon within the habitat of the spotted owl.

The sale of timber on 1,700 acres of federal land had been allowed last year during the Bush administration after a cabinet-level committee known as the "God Squad" voted to override the Endangered Species Act, which requires the administration to protect the owl's habitat, in the interests of preserving timber jobs.



Waco pullout: armoured vehicles on trucks quit the scene of Monday's fire where more than 80 Branch Davidian cult members died

Spending cuts anger military in Argentina

By John Barham in Buenos Aires

ARGENTINA'S armed forces are threatening protest action following government demands for a 10 per cent spending cut.

The air force commander, Brigadier Jose Julia, told Mr Oscar Camilion, the new defence minister, that he was cancelling all operational and training flights. Navy and army commanders are expected to make similar threats at meetings this week with Mr Camilion, who took office earlier this month.

Brig Julia said he had no choice but to cease operations. Half the air force's aircraft were already grounded and it had still not replaced aircraft lost during the 1982 Falklands conflict.

The defence budget was set at $2.03bn this year, 5 per cent of federal spending. However, in March, Mr Domingo Cavallo, economy minister, ordered a 10 per cent cut in ministerial budgets to compensate for a shortfall in tax revenues.

Ironically, the budget cut may at last force a review of defence policy. The armed forces may have surrendered their traditionally strong political role but have resisted half-hearted government efforts at military reforms.

Pay consumes 72 per cent of their budget, but commanders have avoided cutting jobs or reorganising their top-heavy command structure. The army has one officer for every five enlisted men and conscripts. Last year's armed forces' payroll of 169,000 included 35,000 civilian and industrial employees and 49,000 pensioners.

Menem: refused all pay pleas

Officers claim the government has no defence policy other than budget cuts, which have eroded morale and reduced defence preparedness without improving operational efficiency.

Pay is the military's greatest grievance, but President Carlos Menem has ignored previous pleas for increases. Unlike many of his civilian predecessors, he feels confident in his relationship with the military.

French company licenses abortion pill for US trial

By George Graham

THE French pharmaceuticals company Roussel-Uclaf has agreed to license its controversial RU-486 abortion pill to the Population Council, a New York-based non-profit group, for tests and production in the US.

The company has been particularly reluctant to market the drug in the US, because anti-abortion groups have threatened to boycott its other products.

The US Food and Drug Administration complained that Hoechst, Roussel-Uclaf's German majority shareholder, blocked the licensing of RU-486 to another US producer.

Bolivia fails to meet IMF terms

By Chris Philipsborn in La Paz

BOLIVIA has failed to meet some terms of an agreement with the International Monetary Fund, government officials have confirmed. The development could delay a rescheduling of the country's debt to the Paris Club of creditor nations.

The main sticking point is understood to be the country's public sector deficit.

Mr Pablo Zegarra, minister of finance, said the IMF had been insisting on a public sector deficit figure of 3.2 per cent this year, which the government was unlikely to meet.

The deficit reached 4.3 per cent of GDP in 1991 and has averaged 4 per cent over the four-year government of President Jaime Paz Zamora.

The IMF had also envisaged a drop in Bolivia's inflation rate from around 15 per cent in 1991, to 7.5 per cent by the end of 1993. Mr Zegarra predicts inflation will reach 9 per cent by year end.

In September the IMF extended for a fourth year an enhanced structural adjustment facility, a concessional lending facility.

The main significance of the development is not the loss of IMF credit – only about $20m (£13.2m) of the credit remains to be disbursed – but the impact on a Paris Club debt deal. The current agreement runs out at the end of June. At end-1991, some $1.5bn of Bolivia's $4.1bn debt was owed to bilateral government creditors.

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Securities houses query exchange's computer plan

By Richard Waters

FIVE of the biggest securities houses in the City of London have produced a joint study questioning the need for the Stock Exchange's latest £40m computer project, just a month after the exchange scrapped its Taurus development.

The study, commissioned from Booz Allen, the management consulting firm, concludes the exchange should buy an existing computer trading system in use in another stock market rather than attempt to rebuild its own ageing system. The aborted attempt to build Taurus from scratch, rather than buying existing technology, cost the City an estimated £400m.

The report is believed to add that Nasdaq, the US share trading system on which London's Seaq trading system was based in the mid-1980s, would best suit City needs.

The study was commissioned by Barclays de Zoete Wedd, Kleinwort Benson, Smith New Court, UBS and SG Warburg Securities. Between them, these houses are London's biggest marketmakers – firms which undertake to quote firm prices at which they will buy and sell shares – accounting for about 70 per cent of all marketmaking business.

Executives from a number of the five houses yesterday played down the significance of their unprecedented joint study. They said they were not trying to force the Stock Exchange immediately to abandon its current development, which is being undertaken by Andersen Consulting and has already been underway for a year.

The issue, however, is likely to figure prominently at an exchange board meeting today called to review the exchange's future for the first time since the decision to abandon Taurus. The chairmen of three of the five big houses sit on the board – Mr Rudi Mueller of UBS, Mr Peter Wilmot-Sitwell of Warburg Securities and Sir Michael Richardson of Smith New Court.

The exchange said it was considering the Booz Allen report, but the study did not mean it was planning to halt work on its development. Work on the Andersen project is believed to have been approved up to the end of June.

The exchange has consistently argued that its in-house project, the cost of which has been put at anything from £40m to £75m, is necessary to overhaul its current computer base, which is becoming increasingly expensive and difficult to keep in operation.

The securities houses brought in Booz Allen after they became concerned about the costs of the Andersen project. Two of them said yesterday there was no reason why the Andersen system should not go ahead, provided the exchange agreed to abandon some aspects of it to cut costs.

The exchange's board is also expected today to agree to contract out the running of Topic, its share price and company news service. Telekurs, the Swiss-based information provider, is believed to be the operator selected to run the system.

Market survival, Page 14
Lex, Page 16

MPs cast doubts over monetary union timing

By Emma Tucker, Economics Staff

ECONOMIC slowdown in Europe has cast doubt on the ability of European Community member states to meet the timetable for monetary union contained in the Maastricht treaty, a UK cross-party committee of MPs said yesterday.

The Treasury and Civil Service Select Committee's report on prospects for monetary union said it was not confident that seven of the 12 member states, including Germany, would be able to fulfil the convergence criteria in time for monetary union in January 1997.

It would not be be achieved before 1999 if Germany did not meet the criteria within the next four years, said the committee, but in view of Germany's present difficulties this may not happen.

In spite of doubts about the timetable, the report pointed to a widespread belief among politicians in France and Spain, and probably elsewhere in the community, that monetary union should, and will, take place in 1997. The view among most member states was that there should be considerable flexibility in interpreting the convergence criteria to ensure that "critical mass" was achieved, a view not shared by Germany.

Failure to ratify the Maastricht treaty by all member states, due either to a rejection by the Danes in a second referendum or to a decision in the UK, does not mean that prospects for monetary union would disappear, says the report.

"It is important not to underestimate the strength and depth of commitment to monetary union among politicians elsewhere in the Community," it says, adding that a number of member states would probably seek to create an alternative institutional framework to pave the way for monetary union should the Treaty be rejected.

The committee believes political pressure on the UK from other member countries to rejoin the European exchange rate mechanism will grow. Non-membership following UK ratification of the Maastricht treaty would "cause difficulties" it said.

● Mr John Major, prime minister, wants to "grab the agenda" on the development of the European Community after Maastricht in a series of speeches starting today, his office said yesterday.

Britain has to often been forced into responding to an agenda set by the France-Germany alliance, an official said: "We have been left rather dragging out heels."

Mr Major develop his theme of an enlarged, free market European Community at when he addresses the Conservative Group on Europe tonight – a meeting marking the 20th anniversary of Britain's entry into the EC. He is anxious to make an early effort, as the Maastricht bill's passage through the Commons nears its conclusion, to try and reunite the Conservative party.

A member of the King's Troop Royal Horse Artillery dismounts in preparation for a 41-gun royal salute to mark the Queen's 67th birthday yesterday. Celebrations coincided with a report describing tourist facilities at Buckingham Palace as a "national disgrace"

GEC chief urges aid for aerospace

By Daniel Green

BRITAIN has been "outmanoeuvred" by foreign governments in the aerospace business because of its unwillingness to collaborate with industry, Lord Weinstock, chief executive of GEC, told a Commons select committee yesterday.

While Britain discussed government help for industry, other countries "just did it". The government must now intervene to help Britain's aerospace industry to avoid "continuing industrial decline", he said.

Along with witnesses from Dowty Aerospace and the Confederation of Shipbuilding and Engineering Unions, he called for "pump priming" of the industry.

Lord Weinstock said the most efficient means would be through technology demonstrator programmes, in which the cost of building the first example of a new technology is shared between industry and government.

Mr Anthony Edwards, chief executive of Dowty Aerospace, part of TI Group, said that concrete help was needed for such projects as the next generation of landing gear for ultra-large passenger aircraft.

He said: "The dialogue [with government over assistance] is now more constructive, but it is still dialogue."

Mr Alex Ferry, general secretary of the CSEU, warned that skilled workers who lost their jobs in the aerospace industry would be tempted to seek careers elsewhere. They would not be available if industry wanted those skills again.

He contrasted the UK's non-interventionist policy with France. Paris paid part of some workers salaries in slack periods to ease the burden on their employers, he said. The result was that their skills were not lost.

Lord Weinstock also criticised Ministry of Defence procurement policy which had meant that foreign companies were now involved in most contracts.

He argued that the MoD might save some money by buying from a foreign contractor, but the real cost was picked up by other government departments such as employment.

He said that the French government put in "hundreds of millions" of pounds to help its industries, and argued that spending on defence contracts should be regarded as spending on the development of technology.

The private sector had stepped in where government spending had been cut, but "this cannot go on forever".

Cuts in defence spending meant that investment would be too low to maintain the UK's technical lead in areas such as the integration of large systems.

Honda faces union bid for recognition

By Robert Taylor, Labour Correspondent

THE AEEU, Britain's largest manufacturing trade union, is planning a recruitment and recognition campaign at Honda, the only Japanese auto company operating a non-union plant in Britain.

But Mr Michael Jones, Honda's plant manager at Swindon said: "We just wish to be left alone to achieve our objectives. We work quite happily together without having a third party." Only a handful of the 1,200 Honda workers – associates as they are called by the company – belong to a union.

Mr Jones said the company was "totally committed to the teamwork approach" and there had been "no requests" from associates to become trade unionists.

Honda – like the other Japanese auto companies – provides a wide range of employee benefits including private medical insurance. "There is no them and us here. We are all us", explained Mr Jones. Honda associates have just received a 3.7 per cent pay increase.

The AEEU has negotiated single union agreements at Nissan and Toyota, the other two Japanese auto companies in Britain. The range of benefits and the teamwork approach established by Honda also operates in the other two companies, but with a trade union presence.

Mr Roger Butler, AEEU executive officer for the south east of England, said the union would "not leave a stone unturned in our campaign to target Honda." He said Honda's close links to the unionised Rover group may assist the union in its efforts to establish itself in the company's plant.

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EC chief
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All luxury cars have a passenger seat in the front. But Lexus realises it may *carry a passenger.*

Most luxury cars fit an air bag for the driver and leave the passenger's air bag as an optional extra. But you'll find the Lexus LS400 is fitted with both. In fact, you'll find the Lexus LS400 is unlike most luxury cars in most respects. Hardly surprising perhaps, when you realise that we designed it from scratch and had to apply for hundreds of new patents.

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If you need to put your foot down hard on the brakes in the LS400 there's the reassurance of ABS. By contrast if you need to put your foot down hard on the accelerator to get out of danger instead, you have the safety of power under the bonnet. A 4.0 litre V8 engine.

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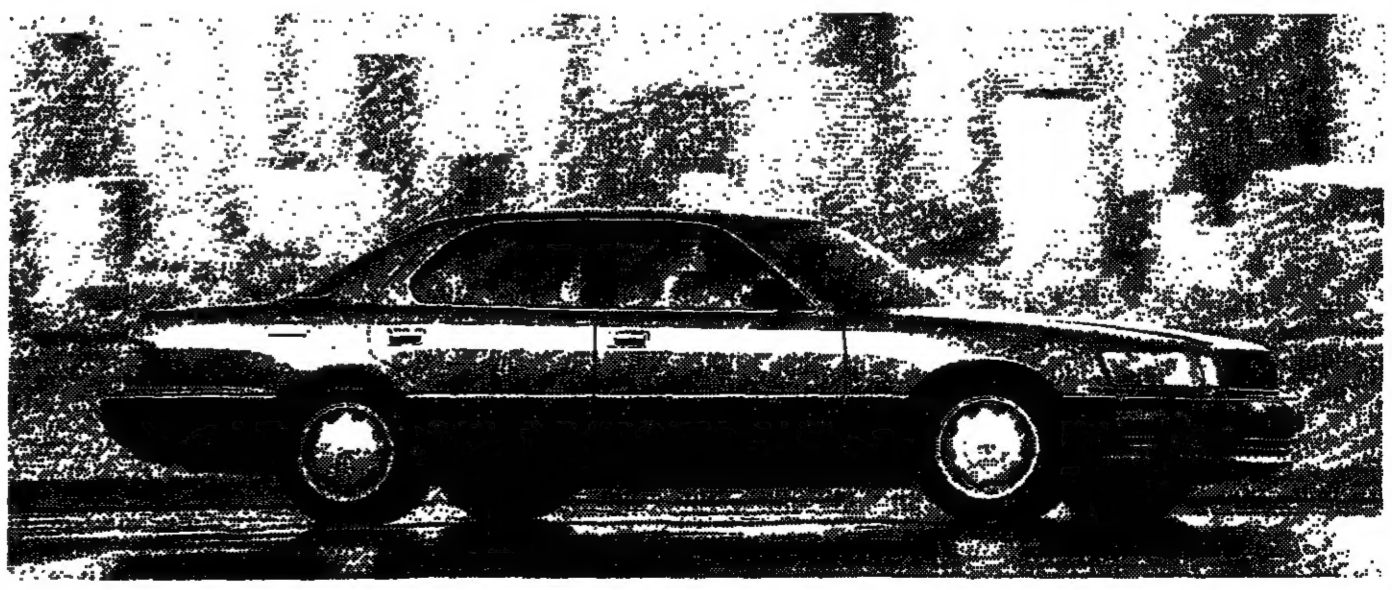

LEXUS
THE LUXURY DIVISION OF TOYOTA

Government lifts limit on private capital used for health service contracts to £10m

Health secretary Virginia Bottomley at the opening yesterday of a mobile laboratory which provides health checks at hospitals

State hospitals given freedom on finances

By Alan Pike,
Social Affairs Correspondent

THE FINANCIAL freedom of Britain's state-run hospitals and health authorities to use private finance is to be considerably widened, Mr Tom Sackville, junior health minister, said yesterday.

Health authorities and National Health trusts – hospitals with control of their own finances – now need Treasury approval for all contracts involving private finance in excess of £250,000. At a seminar yesterday organised by the Social Market Foundation, an independent think tank, Mr Sackville announced a "very substantial increase in delegation" by lifting the limit from £250,000 to £10m.

The £350,000 was so low that it had "quite simply put people off" seeking collaborative projects between the public and private sectors. Some potential schemes had foundered because of the real and psychological barriers of having to obtain approval.

Mr Sackville's announcement adds substance to a policy that has been developing in the Department of Health since the Autumn Statement, when the chancellor of the exchequer outlined proposals to ease the use of private finance in the public sector.

There are some long-standing examples of private-sector investment in NHS hospitals, from the shared use of expensive technology to privately managed shopping malls. Before last year's general election, ministers were anxious to avoid extending a policy that might inflame opposition allegations that they intended to privatise the NHS.

Similar charges were renewed yesterday, with Mr David Blunkett, Labour's health spokesman, accusing the government of trying to "fudge the difference between private and public health care".

Mrs Virginia Bottomley, health secretary, is confident that the government has succeeded in demonstrating that its 1991 health reforms were not the first step to privatisation. She believes the public will regard appropriate private-sector investment as a sensible way of expanding the NHS's £2bn annual capital expenditure. Mrs Bottomley has a further incentive – public spending pressures are severely limiting the scope for extra public finance, and hers will be one of the first Whitehall departments scrutinised for savings under the government's forthcoming public-spending review.

Ministers see scope for private-sector involvement in a wide range of NHS activities including waste incineration, energy conservation and the provision of hospital accommodation used by both public and private patients. Private providers might also seek to run clinical services in NHS hospitals.

Some private-sector managers would like the government to go further, and take account of private hospitals in overall health planning.

Improved company practice has little impact says report

By Andrew Jack

THE LATEST innovations in corporate governance have had little effect in improving the performance of British business, according to a study released today.

Adding non-executive directors to the board or splitting the roles of chairmen and chief executive as the recent Cadbury committee on corporate governance recommended has hardly any impact on earnings per share or other key financial indicators, it said.

The study comes in the latest edition of the Corporate Register published by Hemmington Scott, the information group, and covers all 1,533 UK quoted companies excluding investment trusts.

Mr Peter Scott, who co-ordinated the research, said: "One can't point to any empirical evidence that this kind of governance has made any practical difference. I think the jury is out."

But Sir Adrian Cadbury, chairman of the Cadbury committee, said use of the indicators referred to was "superficial" and gave no indication of the quality of the non-executive directors involved.

The study showed that for the median quoted British company there was no earnings per share growth over the past five years, but for the median company with a combined chairman and chief executive, reported earnings increased by 1.7 per cent.

For the best-performing quarter of companies, earnings per share rose 12.6 per cent, but the figure was up 13.9 per cent for companies with no non-executives and 13.4 per cent for those with a combined chairman and chief executive.

During the last year, companies with no non-executives also appeared to be more conservative, with higher dividend cover – or the ratio of earnings to dividends – and lower gearing, the ratio of borrowings to shares.

The survey appears to give no incentive for shareholders motivated by financial performance to lobby for improved governance.

Discrimination case made on Sunday trade

By Robert Rice,
Legal Correspondent

THE LAST round of the fight between retailers and local authorities in England and Wales over Sunday trading will start in the High Court today.

Four women shopworkers of B&Q, the DIY chain, are suing Kirklees council in West Yorkshire for lost wages after the enforced Sunday closure of the chain's Dewsbury store for 12 weeks in 1991.

The women are also seeking an injunction preventing the council from forcing a closure of the store on Sundays on the grounds that this will take away their right to Sunday employment.

The court will also hear a fresh application by the council for an injunction to close the store on Sundays after last October's ruling by the European Court of Justice that the 1950 Shops Act, which governs Sunday trading in England and Wales, is not incompatible with European law.

The women claim that the act is discriminatory because a ban on Sunday working in the retail sector affects more women than men.

When the council obtained a temporary injunction to close the Dewsbury store in 1991, B&Q offered the women alternative Monday to Saturday work. All but one said they were unable to accept because of family arrangements.

Both sides and the government appear to accept that the case may have to go to the European Court and could take up to two years to resolve.

Britain in brief

Nynex bids to dominate cable TV

Nynex, the US telephone company, has made its second big cable television acquisition in a month, to become potentially the largest cable operator in the UK.

Nynex Cable Communications has bought three cable franchises covering nearly 500,000 homes and businesses in central and north west England from Maclean Hunter Cablevision, the north American publishing and cable group.

Last month Nynex – which is offering both cable television and telecommunications services – bought the Greater Manchester, Bolton and Derby franchises from Pacific Telesis, the west coast US telephone company. Nynex now owns 17 cable franchises in the UK covering a total of 2.5m premises.

Labour backs Bosnian action

Opposition Labour MPs have rallied around the party leadership's calls for air strikes on Serb supply and communication lines in Bosnia – but signalled they believe still more decisive action may yet be needed.

Mr John Smith, party leader, won support at a meeting of the parliamentary Labour party for calling for air strikes if Serbs make further advances. But more than 50 Labour MP last night signed a Commons motion urging the United Nations to issue an ultimatum against the Serbs, "and, should that fail, to take decisive military action".

Bank will not pass on cuts

Barclays Bank, one of Britain's largest clearers, indicated that it would not pass on base rate cuts to businesses who borrow from the bank if the current base rate of 6 per cent falls below 5 per cent. The bank that it was cutting the minimum interest rate for its 200,000 business borrowers from 6 per cent plus the customer's lending margin to 5 per cent plus margin, so they would gain from cuts of up to 1 percentage point.

Home loan fraud alleged

Directors of Homes Assured, the mortgage brokers, allowed the company to trade fraudulently for nine months before it collapsed with debts of £9m in 1989, a London court has been told.

From the outset, Homes Assured, which was set up to arrange mortgages for council tenants buying their own homes, was never adequately capitalised and its finances soon slid into chaos, said Mr Michael Kalisher QC, prosecuting for the Serious Fraud Office.

He was opening the prosecution of Mr Anthony Dobson, a former Homes Assured director, Mr Michael Robinson, the company's managing director and Mr Keith Woodward, another director. Mr Dobson faces three counts of fraudulent trading, Mr Michael Robinson two similar charges and Mr Woodward one of fraudulent trading and one of furnishing false information. All deny the charges against them.

Shell cuts jobs

Shell, the oil company, is to cut 300 jobs over the next two years in a cost-cutting and efficiency drive at its main administrative centre in Aberdeen, the company said.

Lloyd's unveils PR campaign

Lloyd's of London has unveiled details of an innovative publicity campaign to accompany the launch of its business plan next week. The plan will be published on 29 April, Lloyd's said.

The plan will outline ways in which Lloyd's expects to increase efficiency, boost profitability and attract fresh capital, following losses of more than £5bn in insurance losses over the past five years.

As well as a conventional press conference in London, Lloyd's will hold separate press conferences to Toronto and New York by satellite link.

Rail talks in the balance

Hopes of a settlement of the rail dispute were in the balance last night as the 21-strong executive of the main rail union RMT discussed whether to accept British Rail's final proposals.

British Rail employee relations director Mr Paul Watkinson said the BR board had gone as far as it could to meet the RMT's demands for no future compulsory redundancies and a moratorium on the use of contract work on the railway network.

Commercial property fall

Commercial property values fell by an average of 10 per cent in 1992, according to a new report by the Investment Property Databank, a research group. Investment returns for commercial property averaged -3 per cent in 1992, a 1.5 percentage point improvement on 1991.

Leyland Daf sells land

Birmingham Heartlands Development Corporation has announced that it is to buy 42 acres of surplus land from the Leyland Daf vans management buy-out team at a price of £4m. The environment department is giving the development corporation a grant to fund the purchase. The land will be turned into an industrial park.

Inflation hits pound coin

Britain's pound coin was 10 years old yesterday but inflation has cut nearly 40 per cent off its value in the decade, according to official figures.

Taking the pound as worth 100 pence in 1983, the Central Statistical Office estimated that its purchasing power was now just 61 pence.

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MANAGEMENT: MARKETING AND ADVERTISING

Guy de Jonquières on two nationally based companies which have successfully crossed European frontiers

A taste for expansion

Ever since enthusiasm for the single market gripped the European food industry in the late 1980s, its efforts to expand across frontiers have been ruled by two articles of faith.

One is that smaller fry stand little chance in a sector increasingly dominated by multinational manufacturers and powerful retailers. The other is that acquiring local businesses and brands, rather than building sales from scratch, is the quickest way to break into foreign markets.

However, Molkerei Alois Müller, a privately-owned Bavarian dairy company, has defied this conventional wisdom by seizing leadership of the UK yoghurt market from under the noses of long-established competitors, including some of Europe's biggest multinationals.

Until six years ago, the Müller name was unknown outside Germany, where it has grown in the past two decades from a village dairy with four employees into a business with sales last year of £250m and 11 per cent of the domestic dairy products market.

By last year Müller had become Britain's 26th largest grocery brand, out-selling old favourites such as Birds Eye frozen foods, Mars bars and Heinz tomato ketchup. Today it commands more than a fifth of the £450m-a-year yoghurt market.

That puts it well ahead of Ski, made by Express, part of Northern Foods, and Unigate's St Ivel Shape, which together dominated the business a decade ago: today their share has dwindled to less than 30 per cent. Meanwhile, the world's two biggest yoghurt brands – Danone, made by France's BSN, and Chambourcy, made by Nestlé of Switzerland – hold barely 2 per cent of the UK market.

Müller owes its UK growth largely to one product, its "twin-pot" Fruit Corner, which still provides more than 80 per cent of its UK sales. Though hardly embodying a technical revolution, even competitors admit its mild flavour, creamy consistency and separate compartments for yoghurt and fruit were new to British consumers.

"Previously, yoghurts sold in Britain were samey, boring and of low quality, verging on commodities," says Ken Wood, managing director of Müller's UK subsidiary. "There was lots of marketing but no real product innovation."

Furthermore, yoghurt consumption, at 5.35kg per head annually, is a quarter the level in Germany, where it is eaten by 80 per cent of the population, compared with 50 per cent in the UK.

These conditions made Britain a natural choice for Müller's first cross-border foray. Wood was hired to lead the attack in early 1986 from Express's Eden Vale unit, then owned by Grand Metropolitan, where he was marketing director.

For several months he banged at supermarket doors, to be told that Müller's products were faddish, too expensive or otherwise unsuitable. Then, in March 1987, Tesco agreed to test them in 170 stores, where they sold well.

Wood's next step was to buy commercials on Border Television and arrange for selected outlets in the region to stock Müller yoghurts on a trial basis.

The positive results helped convince previously sceptical retailers to take Müller seriously. Today, its products are stocked by outlets handling 95 per cent of UK grocery sales and backed by a £5m annual television advertising budget.

Wood says he also won over supermarkets by promising that Müller would soon make its yoghurts in Britain. A year ago it opened an ultra-modern £30m plant near Market Drayton, Shropshire, which is currently producing about 500m pots of yoghurt a year. Today, Müller employs 250 people in the UK and is already expanding the plant.

Wood attributes much of the company's success to the dogged perseverance and entrepreneurial attitude of its owner, Theo Müller. But even Wood is bemused by the speed of growth in the UK.

"It seems you can gain critical mass for a brand which, for no apparent reason, then achieves its own momentum," he says.

Some competitors, however, think the company risks over-reaching itself. They point out that its sales are still based heavily on one product line which has yet to prove long-term staying power and has recently attracted hordes of imitators.

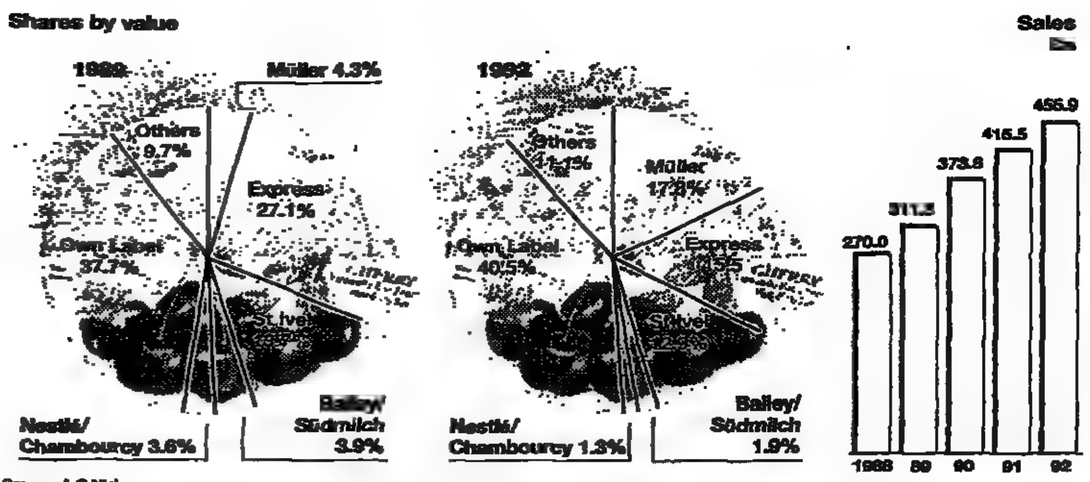
Wood insists the UK yoghurt market, which is growing by 10 per cent annually, still offers plenty of potential. He is widening its yoghurt range and may start selling other products, such as flavoured milk drinks, which have proved popular in Germany. The Shropshire plant may also supply markets in France, Belgium and Scandinavia.

Perhaps the strongest reason for Wood's confidence is his belief that Müller has little to fear from a cosy club of traditional UK dairy producers, which have been lulled into complacency by 60 years of milk supply monopoly and little international competition.

"The fact that there are now 15 Fruit Corner look-alikes shows they still haven't learned the lesson," says Wood. "It is so much easier to copy than to innovate. That's what they've always done in the past."

UK yoghurt market

Shares by value



Source: A.C.Nielsen

Going against the grain

When Pauls Food, a small UK manufacturer of private-label groceries for supermarkets, acquired a troubled breakfast cereals plant in northern France for £3.8m in late 1988, it knew it was taking a gamble.

Not only had the plant's losses and demoralised workforce deterred several larger prospective buyers; but in seeking to export its private-label expertise to continental Europe, Pauls was heading down on a road previously untravelled by any British food company.

But, after some nervous moments, the gamble paid off. Today the French business, H&C Céréales, is the country's leading manufacturer of private-label breakfast cereals, supplying most of its main food retailers and a growing list of customers elsewhere in Europe. Its annual sales of £35m are nine times higher than when it was acquired and contribute a third of Pauls' total turnover. It has been in profit for almost three years and is in the middle of a £10m expansion programme.

The turnround, though remarkably swift, was far from effortless. Pauls found that building a business in France has required it to teach retail customers at least as much as it has learned from them. And early on, the whole enterprise almost came to grief.

Pauls, part of Harrisons & Crosfield, a British industrial conglomerate, had initially planned to raise H&C Céréales' output volumes to economic levels by exporting to the UK.

However, the idea foundered on resistance from UK retailers, which criticised the products' quality and on a weakening of sterling against the French franc in 1989.

Though a trusted British manager had been put in charge of the business and installed tighter financial controls, output was still well below capacity in early 1990 and losses were continuing to mount.

"We really began to wonder whether we had done the right thing," recalls Alan Jones, Pauls' managing director.

He decided to stake everything on a bolder strategy. This called for H&C Céréales to go all-out to win continental business by transforming itself from a mediocre "me too" producer into an innovator which aspired to match the standards of Kellogg, the industry leader.

Substantial investments have been made in sophisticated production equipment, better raw materials, quality controls and product development. By the end of this year, Pauls will have invested £14m in H&C Céréales, on top of the purchase price.

A crucial element in the strategy, says Jones, was the decision to offer continental supermarkets a comprehensive range of services. This was a novelty in France, where most private-label groceries are cheap and usually inferior imitations of branded products and their manufacturers provide retailers with little marketing support.

Pauls' found it had a powerful calling card in its experience as a supplier to chains such as J. Sainsbury and Tesco in the UK, where – uniquely in Europe – private-label is a high-margin business which competes on quality as well as on price.

However, although French retailers envied their UK counterparts' success in private-label, none really understood how to replicate it. "It was quite difficult at first," says Jones. "Some of our French customers took as long as two years to learn the business. Even today, only a few devote staff exclusively to managing private-label, as UK supermarkets do."

H&C Céréales, which employs a multi-lingual sales and account management team based in Paris, now helps retailers in France and other continental countries identify opportunities by supplying them with market research. It also advises extensively on product specifications, packaging, design, labelling and regulatory issues.

Today, the company claims 12 per cent of French breakfast cereals sales and is the third largest supplier after Kellogg and Cereal Partners Worldwide, a joint venture between General Mills of the US and Nestlé of Switzerland. About 40 per cent of the Picardy plant's output is exported and a second factory may eventually be built elsewhere in Europe.

Jones thinks private-label could ultimately capture as much as a fifth of the European breakfast cereals market which, in France, is growing by 20 per cent annually. He is not worried that Pauls could be squeezed by its two bigger competitors, which are spending an estimated 20 per cent of the value of their French sales on advertising.

H&C Céréales has benefited, not suffered, from their extensive marketing campaigns, he says. "It certainly helps that two branded multinational players are firmly committed to ensuring that the market expands."

Middle firms in muddle

Mid-sized accountancy firms in the UK need to improve their marketing skills if they are to survive, according to a survey* by Huthwaite, a consultancy firm.

Most have only a basic understanding of marketing and need to restructure their operations and approach to improve the business they generate.

The report focused on mid-sized firms – those below the Big Six accountants – which are sensitive about the labels attached to them and prefer to be called "the national firms".

It argues that the partnership culture often acts as a break on marketing, with partners – many of whom are resistant to the idea of selling – normally controlling contact with clients and potential clients.

The survey suggested that the accountants tended to be highly protective, and did not pass on any marketing leads they had to colleagues who might be better equipped to win a new client or sell additional services to an existing one.

Many firms used seminars as a "reward" for existing clients rather than as a way to bring in potential new business. Few had any formal, structured procedures that would allow them to assess their effectiveness in marketing.

In general, the level of information was poor. One firm proudly told the interviewers that it was setting up a database listing clients and the staff working on them – an elementary device that should have been in place for a long time.

Huthwaite recommends that firms should get more people involved in marketing and should appoint someone with overall responsibility to "cajole, co-ordinate and coach" others.

It says rewards linked to career development as well as money should be made available to those who are successful in generating new business.

Andrew Jack

**What future for mid-sized accountancy firms? Huthwaite, Hoober House, Wentworth, Rotherham, South Yorks. S62 7SA. £95*

PEOPLE

A sugared path to altruism

Nicholas Nightingale, Tate & Lyle's company secretary, is leaving in the autumn to become National Secretary to the National Council of English YMCAs, the Christian youth welfare charity.

The first outsider to be appointed to the position, which is effectively that of chief executive, in the 149-year history of the organisation, Nightingale, who has turned 50, says it had been on his mind for a while to do something "more altruistic".

Last summer he became a lay board member of the City chapter behind his Barbican home, and says he was struck at once "both by the calibre of the people who worked for the charity full-time, and by the power of the organisation". It has an annual budget of around £60m and deals with 1.5m people a year.

Also influencing his career volte face was watching his wife train to be ordained, next September, as a Church of England deacon. He was headhunted by Saxton Bampfylde, itself a company with strong Christian principles.

He stresses that he is leaving Tate & Lyle, where he was not a member of the slim executive board, "with mixed feelings", and says that he was "very comfortable" with the new team at the top, put in place this spring. A solicitor by training, he had, until the takeover by Nestlé, previously been a main board director of Rowntree.

Nightingale is a familiar face in the City, having been in charge of investor relations in both his last two jobs. Communication will be one of his principal initial tasks for the YMCA, he believes – internally among the 200 separate local associations, as well as externally.

He joins at a time when the organisation is coping with problems ranging from finding relevant accommodation for single-parent families to the extra strains imposed on the YMCA's emergency services by the influx of refugees.

Despite the "very significant" drop in salary, his family, including the three offspring aged between 15 and 20, are firmly behind the idea.

Rothschild family promotion

Amschel Rothschild, a cousin of N M Rothschild chairman Sir Evelyn de Rothschild and half brother of Jacob Rothschild, has been promoted to executive chairman of Rothschild Asset Management, the fund management arm of the still family-run merchant bank. He had been chief executive for the past three years.

While the succession to Sir Evelyn, 62, remains unclear, 38-year-old Amschel's elevation confirms him as one of the most prominent family members under 60, along with 50-year-old David de Rothschild, a cousin on the French side, who is deputy chairman. Sir Evelyn (right) has two sons, but both are still at school.

He is reckoned to have done a good job in helping restore the fortunes of RAM, where performance had dropped off in the mid to late-1980s. The operation now manages assets of around $25bn, and performance has improved across the board, particularly in the New Court unit trusts, and unit trust-linked personal pensions.

The previous executive chairman of RAM, Carel Mosselmans, is now chairman of Lloyds underwriting agency Janson Green, though he remains on the board. The title of chief executive will fall away.

Amschel, a son of the late Lord Victor Rothschild, has done a fairly extensive tour of the bank. Before moving to RAM he worked on group policy in Sir Evelyn's office; he has also spent a spell in the treasury division, including working on bullion.

Lars McBride to bank on paper

Lars McBride, a City corporate financier who has had to watch the shrinking of at least two merchant banks' corporate finance businesses from inside, has decided to transfer his skills to industry. He is taking up the position of finance director at Portals, the papermaking and protection and control group.

He succeeds John Lloyd, who becomes group managing director after the May agm.

"Like many others, I fancied the idea of helping a company grow from within rather than advising them from outside," says 38-year-old McBride. "This is a British manufacturing exporter that has done well during the recession." Portals is the world's leading producer of banknote paper, and the second biggest manufacturer of tea-bag paper.

McBride was until recently managing director of European mergers and acquisitions at Chase, but the American bank has scaled back its activities in that area. Before that he was at County NatWest – but had the misfortune to join three weeks before the 1987 stock market crash and two months before the onset of the Blue Arrow affair. He also had a spell at Lazards, and qualified as an accountant at Peat Marwick.

As finance director, Lloyd had also been in charge of corporate development; he retains responsibility for this area but says that McBride's experience will mean that he too has "a very significant input".

Non-executive directors

FKI, the Yorkshire-based manufacturing conglomerate, has finally found an American industrialist to hold its hand as it expands its North American business. John Rodewig, 58, president and chief operating officer of Eaton Corporation, has been appointed a non-executive director of FKI.

Roughly half of FKI's business is in the US and the company had hired headhunters to find a non-executive director who could proffer advice about the US but also knew Europe. Bob Beeston, FKI's managing director, says that Rodewig (below) was the ideal candidate. Not only has his whole career been at Eaton, which employs 39,000 people, but he also spent ten years running Eaton's truck components business in Middlesex. FKI's board meets around half a dozen times a year – at least once in the US.

- Bernard Atkinson has resigned from BARIS HOLDINGS.
- David Kendall, chairman of Bunzl and Whitecroft, at GOWRINGS.
- Bill Roberts, formerly manager of the National Centre for Tribology, at KS PAUL PRODUCTS.
- John Tysoe at YORKSHIRE ELECTRICITY when he transfers from executive to non-executive chairman from May 2.
- Ken Firman, md of Stamford Construction, at GALLIFORD.
- John Wightman, formerly deputy chairman, as chairman at CRAIG & ROSE; Hugh Rose becomes president having served the company for 57 years.
- Paul Castle has retired from LINX PRINTING TECHNOLOGIES.
- Peter Harrop, chairman of Kalamazoo and a former md of Mars Electronics, at ELECTRON HOUSE.

An executive information system cleared the channels of communication at ICI, says **Claire Gooding** in the latest in a series on getting the most out of software

All working from the same screen

COMPANY SNAPSHOT

Nature of business: ICI Fibres is Europe's leading manufacturer of nylon products such as those used in skiwear, carpets and ladies' tights. ICI Acrylics is a supplier to the paint, sanitaryware, sign-making and automotive industries, producing innovative materials such as Perspex, Asterite and Avron.

ICI Fibres is about to be handed over to Du Pont of the US in exchange for Du Pont's US acrylics business. In a separate deal, ICI is to hand its west European polypropylene business to BASF of Germany in exchange for BASF's acrylic units in Germany and Spain.

Turnover: ICI Fibres has a turnover of £600m. ICI Acrylics (pre Du Pont and BASF acquisitions) has a turnover of £300m per annum.

Key personnel: At ICI Fibres: Scott Davidson, managing director; Dennis James, IT director; Steve Hamlett, finance director. The same trio fulfil similar functions in the re-organised ICI Acrylics.

TECHNOLOGY FILE

Software: The Business Information System (BIS), implemented at ICI Fibres in 1992, is based on the 4GL Focus, from Information Builders. BIS evolved from two previous prototype executive information systems (EIS) written initially in PC Express, subsequently refined using a combination of Lightship, and Lotus 123. The existing system is operational at ICI Fibres, now used by more than 20 managers in the UK, Belgium and Germany.

Hardware: PC front-ends on 386- and 486-based colour laptop computers connected to an IBM mainframe via the communications network. Data is stored on the mainframe and distributed to local PCs. There is automatic download of data sources from core accounting systems.

Suppliers: West London-based Executive Information Solutions, a 15-strong specialist EIS company, advised ICI Fibres on the business and management process.

Cost of system: The consultancy costs in developing the BIS were £220,000 for ICI Fibres and £150,000 for ICI Acrylics. This includes the review of the IT infrastructure, but not hardware and software components.

The first act of Scott Davidson as he walks into the room is to overturn the "No Smoking" sign and light a cigarette. It's done swiftly, decisively and with charm. As managing director of ICI Fibres and ICI Acrylics, he makes the rules.

His job involves dashing from Brussels to London and other outposts of ICI at a time when meetings with company lawyers and negotiations about the handing over of ICI Fibres to Du Pont of the US, as part of an asset swap, dominate the schedule. His unorthodox approach to information technology has made it possible for him to run two ICI companies – and take an active role in a third, ICI Materials – from Brussels.

The system Davidson uses accompanies him everywhere, in a small briefcase-sized computer. It is an executive information system (EIS), which keeps him in touch with his companies and serves him, wherever he is, with information that used to come from a headquarters staffed by 420 people. Now, partly because of the system, the Brussels head office has only 12 staff.

Scott Davidson took over ICI Fibres at the start of 1990, when it was a £650m company. An ICI man for about 25 years, his first task was to take control, and make people accountable for their performance, at a time when the recession was making business tough. The lack of control over information technology and information systems in general (estimated at £18m) was then a major concern and one with which he found it frustratingly difficult to get to grips.

After a chance meeting, Jon Morgan, managing director of a consultancy – Executive Information Solutions (EISL) – specialising in EIS, quickly became involved in identifying the needs of what Davidson calls the "top box" of managers. "One of the benefits of using consultants is their objectivity in examining what we wanted and needed. From that came a 'halo' effect, casting light on the effect of IT as a whole."

There were two concerns – managerial accountability and the information systems structure. A basic difficulty was putting names to activities and identifying people with their responsibilities.

Morgan and his colleague Gerry Cryer started a process they call "goal focus" which was to result in a three-year relationship with Davidson and other parts of ICI. It also brought about various incarnations of the EIS Davidson uses.

The aim was to replace dozens of paper reports, some of which used to adorn the "chart room" where hand-drawn graphs were amended daily. "The process sharpened our focus on people, sales and working

AT WORK

capital," says Davidson.

Morgan stresses that the benefits come from the process of defining the business system, as much as the system itself. "As with most organisations, the individuals involved were finding it difficult to see the forest for the trees. The goal focus process ensures that decisions are turned into actions, and that performance is monitored and continually examined."

The strategy for ICI Fibres was a business improvement programme that would cut down on bureaucracy, focus on customer satisfaction, and improve business performance. The computer system, fed by constant updates acts as the monitor of every stage of the plan.

Davidson believes ICI Fibres was among the first companies to take the full brunt of the recession. Without damaging the revenue, he had to take steps to cut costs by as much as 30 per cent. "The Business Information System allowed us to work to targets." He estimates a £7m saving in the first year, resulting from the work of EISL.

In the last two years, the staff of ICI Fibres has shrunk from 8,500 to 6,000 people. The consolidation of information in one system, used by about 20 ICI Fibres managers, made it possible to decentralise the headquarters.

Despite his idiosyncratic attitude to "No Smoking" signs, his main aim is that all his managers obey the same rules. "One of the things about any organisation is that people interpret figures in the way they wish to do so. These days, face to face or on the phone, we are all working from the same screen."

Typical of the figures the screen presents to the people at both ends of the phone are exceptions against budget, the trend of raw material costs, market share and short-term forecasts. In the case of ICI Fibres, the market figures came from the trade group in Brussels and are shown by country and business sector: carpets, textiles, industrial yarns, polymers and engineering plastics.

Managers have easy access to screens that show the various goals, such as accident rate, lost hours, waste and fixed costs, displaying actual figures, goals and performance to date. The presentation not only consolidates the whole picture, but makes it possible to zoom in on detail and split the large issue down into manageable chunks. The menus are self-explanatory, and the headings and acronyms provide a common vocabulary which means the same to all users.

The system has another important function. Once true figures are established, they can be used to focus on individuals. This fosters competition, and encourages people to keep up to the mark in such areas as lost time, sickness, conversion of raw materials to product, and conversion efficiency.

The connections between activities are so clear that they have the effect of pulling the whole team together. "We tend to equate doing a professional job with earning more money; group pride gives people personal pride. Incentives and prizes recognise performance."

Scott Davidson: 'We sharpened our focus on people, sales and working capital'

When Davidson took over at ICI Acrylics, he needed immediate and fast control. His brief was to integrate businesses from approaching asset swaps with Du Pont and BASF swiftly and effectively. "I needed a fast track on what was going on, and a quick understanding of people's accountability. The financial systems had to be in place before Du Pont and BASF integration started."

EISL went through a similar, though speedier, process with ICI Acrylics. The system has replaced a large number of administrative procedures. Dennis James, the head of IT, ensures a smooth information flow. Among the issues raised – though not yet solved – is the integration of IT and information systems in the new organisation, involving the acquired companies.

EIS is, Davidson concludes, "not necessarily a magic wand; it's a discipline. It is a simple way of running the business, month to month, day to day. The bottom line is that we all deal with a document which tells the same story: it denies the opportunity for personal interpretation."

BUZZWORD

EXECUTIVE INFORMATION SYSTEMS were conceived as a screen-based information service geared specifically to top executives, with easy-to-use, ready-packaged information which would provide a complete picture of the organisation. "Drill down" provides detail on components, also in graphical form.

CONSULTANT'S CRITIQUE

"Beauty may be only skin-deep but ugly goes right down to the bone." In computer systems, an unattractive front-end usually indicates that the underlying design is poor. The whole maintenance and future development of the system relies upon good design.

Many executive information systems could be defined as "a method of presenting information which you already know, together with data you do not want, in a form that you cannot understand".

I was pleasantly surprised by the EIS system at ICI. It was simple to use, elegant in design and flexible enough to be extended in the future.

Most MDs have a few key figures that they use to keep a handle on their business. In ICI's case, these are a number of specific goals decided by the senior management. The EISL consultancy worked with Scott Davidson to extract these and present them in an accessible and consistent form.

I was especially taken by the "On Time in Full" concept used in ICI Paints. Sales commission is paid in full only on orders that are completed on time with no defects. A single tin missing in a delivery of 10,000 counts as a failure. Sales personnel no longer make promises they cannot keep.

For a big order that has been delayed, the staff can be seen loading the trucks themselves. This is a classic example of wedding reward structures to the goals of the company.

Computers either cost you money or save it. Anyone can think of instances of the former while real savings due to IT are much rarer. The business benefits of ICI's system have been remarkable. Not only has £7m been saved, it has allowed Davidson to take a grasp on two new businesses in a short time.

In a changing business environment, it is essential that targets are agreed and understood by everyone involved. Now all the managers are "singing from the same hymn-sheet". This may not guarantee success but it eliminates a potential cause of failure.

Kevin Grumball

The author is a consultant at Software Design and Construction, of Milton Keynes.

LEGAL NOTICES

NOTICE OF CREDITORS' MEETING UNDER SECTION 48(2) OF THE INSOLVENCY ACT 1986
Kent Gears and Engineering Limited
Registered No: 3495563
Registered in England and Wales

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ at 11.30 am on 29 April 1993 for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to me at the address shown above, no later than 1200 hours on 28 April 1993 written details of the debt they claim to be due to them from the company and the claim has been duly admitted under the provision of Rule 2.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf.

Date: 14 April 1993
Signed: Nigel Vooght
Joint Administrative Receiver
Kent Gears and Engineering Limited

NOTICE TO CREDITORS TO SEND CLAIMS IN THE MATTER OF THE INSOLVENCY ACT 1986
- and -
IN THE MATTER OF JOHN MANSON LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN that the Creditors of the above named Companies are required on or before the 31st day of May 1993, to send their names and addresses and the particulars of their debts or claims and the names and addresses of their Solicitors, if any, to N J Vooght ACA and J M Iredale FCA of CORK GULLY, Melrose House, 42 Dingwall Road, Croydon, Surrey, CR0 2NE, the Joint Liquidators of the said Companies and, if so required by notice in writing from the said Liquidators, or by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 13th day of April 1993

N J Vooght
Joint Liquidator

NOTICE TO CREDITORS TO SEND CLAIMS IN THE MATTER OF THE INSOLVENCY ACT 1986
- and -
IN THE MATTER OF JOHN MANSON (BUTCHERS) LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN that the Creditors of the above named Companies are required on or before the 31st day of May 1993, to send their names and addresses and the particulars of their debts or claims and the names and addresses of their Solicitors, if any, to N J Vooght ACA and J M Iredale FCA of CORK GULLY, Melrose House, 42 Dingwall Road, Croydon, Surrey, CR0 2NE, the Joint Liquidators of the said Companies and, if so required by notice in writing from the said Liquidators, or by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 13th day of April 1993
N J Vooght
Joint Liquidator

BRAIN HAULAGE LIMITED
H Evans & P Jeffery appointed
Joint Administrative Receivers on
17 September 1992

NOTICE IS HEREBY GIVEN that a meeting of the creditors of the above company, in accordance with the provisions of Section 98 of the Insolvency Act 1986, will be held at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD on 4 May 1993 at 10.30am. The purposes of the meeting are to receive a statement of affairs and a report on the company from a director and if the creditors wish to do so, to nominate a liquidator and appoint a liquidation committee.

AV Lomas of Price Waterhouse, No 1 London Bridge, London SE1 9QL will provide a creditor free of charge with information concerning the company's affairs that they may reasonably require.

A list of the names and addresses of the company's creditors will be available for inspection at the offices of Price Waterhouse at No 1 London Bridge, London SE1 9QL on 29 and 30 April 1993.

Proxies for use at the meeting must be returned to Price Waterhouse by 12.00 noon on 30 April 1993 and claims must be made in writing and may be made to the same address.

By Order of the Board
J C Brain, Director
13 April 1993

Note: Any creditor who has not received notice of the meeting and who wishes to attend or be represented at it should ring 071 939 4666.

NOTICE TO CREDITORS TO SEND CLAIMS IN THE MATTER OF THE INSOLVENCY ACT 1986
- and -
IN THE MATTER OF JOHN MANSON (HOLDINGS) LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN that the Creditors of the above named Companies are required on or before the 31st day of May 1993, to send their names and addresses and the particulars of their debts or claims and the names and addresses of their Solicitors, if any, to N J Vooght ACA and J M Iredale FCA of CORK GULLY, Melrose House, 42 Dingwall Road, Croydon, Surrey, CR0 2NE, the Joint Liquidators of the said Companies and, if so required by notice in writing from the said Liquidators, or by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 13th day of April 1993

N J Vooght
Joint Liquidator

NOTICE TO CREDITORS TO SEND CLAIMS IN THE MATTER OF THE INSOLVENCY ACT 1986
- and -
IN THE MATTER OF JOHN MANSON GROUP LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN that the Creditors of the above named Companies are required on or before the 31st day of May 1993, to send their names and addresses and the particulars of their debts or claims and the names and addresses of their Solicitors, if any, to N J Vooght ACA and J M Iredale FCA of CORK GULLY, Melrose House, 42 Dingwall Road, Croydon, Surrey, CR0 2NE, the Joint Liquidators of the said Companies and, if so required by notice in writing from the said Liquidators, or by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 13th day of April 1993
N J Vooght
Joint Liquidator

Notice of appointment of liquidator voluntary winding up Creditors
Pursuant to section 109 of the Insolvency Act 1986

Company Number: 469618. Name of Company: John Manson (Butchers) Limited. Nature of business: Butchers. Type of Liquidation Creditors. Address of registered office: Manson House, 4 Lyon Road, Merton, London SW19 2RU. Liquidators name and address Nigel John Vooght and John Martin Iredale both of: Melrose House, 42 Dingwall Road, Croydon CR0 2NE. Office holder numbers 6339, 2104. Date of appointment: 30 March 1993. By whom appointed Creditors
Date: 13/4/93

EUROTRUCK COMMERCIALS LIMITED
H Evans & P Jeffery appointed
Joint Administrative Receivers on
17 September 1992

NOTICE IS HEREBY GIVEN that a meeting of the creditors of the above company, in accordance with the provisions of Section 98 of the Insolvency Act 1986, will be held at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD on 4 May 1993 at 12.15pm. The purposes of the meeting are to receive a statement of affairs and a report on the company from a director and if the creditors wish to do so, to nominate a liquidator and appoint a liquidation committee.

AV Lomas of Price Waterhouse, No 1 London Bridge, London SE1 9QL will provide a creditor free of charge with information concerning the company's affairs that they may reasonably require.

A list of the names and addresses of the company's creditors will be available for inspection at the offices of Price Waterhouse at No 1 London Bridge, London SE1 9QL on 29 and 30 April 1993.

Proxies for use at the meeting must be returned to Price Waterhouse by 12.00 noon on 30 April 1993 and claims must be made in writing and may be made to the same address.

By Order of the Board
J C Brain, Director
13 April 1993

Note: Any creditor who has not received notice of the meeting and who wishes to attend or be represented at it should ring 071 939 4666.

NOTICE TO CREDITORS TO SEND CLAIMS IN THE MATTER OF THE INSOLVENCY ACT 1986
- and -
IN THE MATTER OF JOHN MANSON (BUTCHERS) LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN that the Creditors of the above named Companies are required on or before the 31st day of May 1993, to send their names and addresses and the particulars of their debts or claims and the names and addresses of their Solicitors, if any, to N J Vooght ACA and J M Iredale FCA of CORK GULLY, Melrose House, 42 Dingwall Road, Croydon, Surrey, CR0 2NE, the Joint Liquidators of the said Companies and, if so required by notice in writing from the said Liquidators, or by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 13th day of April 1993
N J Vooght
Joint Liquidator

Notice of appointment of liquidator voluntary winding up Creditors. Pursuant to section 109 of the Insolvency Act 1986. Company Number: 1794763. Name of company: John Manson Group Limited. Nature of business: Holding Company. Type of Liquidation: Creditors. Address of registered office: Manson House, 4 Lyon Road, Merton, London SW19 2RU. Liquidators name and address: Nigel John Vooght and John Martin Iredale, both of: Melrose House, 42 Dingwall Road, Croydon CR0 2NE. Office holder number: 6339, 2104. Date of appointment: 13 April 1993. By whom appointed: Creditors. Date: 13/4/93

BRAIN HAULAGE (SERVICES) LIMITED
H Evans & P Jeffery appointed
Joint Administrative Receivers on
17 September 1992

NOTICE IS HEREBY GIVEN that a meeting of the creditors of the above company, in accordance with the provisions of Section 98 of the Insolvency Act 1986, will be held at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD on 4 May 1993 at 11.45am. The purposes of the meeting are to receive a statement of affairs and a report on the company from a director and if the creditors wish to do so, to nominate a liquidator and appoint a liquidation committee.

AV Lomas of Price Waterhouse, No 1 London Bridge, London SE1 9QL will provide a creditor free of charge with information concerning the company's affairs that they may reasonably require.

A list of the names and addresses of the company's creditors will be available for inspection at the offices of Price Waterhouse at No 1 London Bridge, London SE1 9QL on 29 and 30 April 1993.

Proxies for use at the meeting must be returned to Price Waterhouse by 12.00 noon on 30 April 1993 and claims must be made in writing and may be made to the same address.

By Order of the Board
J C Brain, Director
13 April 1993

Note: Any creditor who has not received notice of the meeting and who wishes to attend or be represented at it should ring 071 939 4666.

Notice of appointment of liquidator voluntary winding up Members
Pursuant to section 109 of the Insolvency Act 1986

Company Number: 400466. Name of Company: John Manson Limited. Nature of business: Butchers. Type of Liquidation Creditors. Address of registered office: Manson House, 4 Lyon Road, Merton, London SW19 2RU. Liquidators name and address Nigel John Vooght and John Martin Iredale both of: Melrose House, 42 Dingwall Road, Croydon CR0 2NE. Office holder number(s) 6339, 2104. Date of appointment: 30 March 1993. By whom appointed Creditors
Date: 13/4/93

Notice of appointment of liquidator voluntary winding up (Creditors). Pursuant to section 109 of the Insolvency Act 1986. Company Number: 938840. Name of company: John Manson (Holdings) Limited. Nature of business: Holding Company. Type of Liquidation: Creditors. Address of registered office: Manson House, 4 Lyon Road, Merton, London SW19 2RU. Liquidator(s) name(s) and address(es). Nigel John Vooght and John Martin Iredale, both of: Melrose House, 42 Dingwall Road, Croydon CR0 2NE. Office holder number(s): 6339, 2104. Date of appointment: 13 April 1993. By whom appointed: Creditors. Date: 13/4/93

PERSONAL

هكذا من الأصل

ARTS

Cinema/Nigel Andrews

Anti-love story plays to the arthouse gallery

Claude Sautet's *Un Coeur En Hiver* is a battle of faces. Violin-maker Stephane (Daniel Auteuil) has large, liquid, fastidious eyes and a moue of a mouth squeezed between babyish cheeks. Inside the overbred man, this face seems to say, a child is clamouring to stay hidden. Fellow violin-maker Maxim (André Dussollier) has playful eyes, wide lips and smile-lines as long and deep as the San Andreas Fault. He is clearly a playboy with a taste for debonair irony.

Then there is Emmanuelle Béart, the woman who comes between them. She, a beautiful young violinist, is all taut complexion and perfect facial curvature. Is she the violin played by the two (seeming) rivals in love? Or is she the perfect melody who exploits and defeats them both?

We are moved to this delirium of metaphor by a movie that slugs one with its own high-toned pretensions and line in lofty enigma. Nearly everyone but me at last year's Venice Film Festival, where it won the Silver Lion and International Critics Prize, rhapsodised about Sautet's film: a sort of anti-love story in which a shy, icicle-hearted instrument-maker (Auteuil) makes a play for his partner's girlfriend (Béart) and then backs off – in fear or mischief? – to watch the emotional fall-out. The girl despairingly returns his love, the rival rages at his partner's humiliation of her, the "hero" retreats ever deeper into his igloo of expressionless expressiveness.

Why does this film strikes some as a masterpiece? Two words: Daniel Auteuil. This actor – we saw him light up the role of the dim-brained son in *Jean De Florette* – has a face so alive that it sets the air shimmering around him. We imagine concealed passions even when there are none. In today's great French screen-acting sweepstake, Auteuil is immobility's answer to the hyperactive Depardieu.

But what of the film around him? It is a woman's magazine story worked up for the arthouse crowd. Cast in basic language, it goes thus. Beautiful Violinist involved with Charming But Shallow Womaniser is knocked sideways by his Shy But Deep Friend. As in any six-mouchoir love story, passion must remain unrequited. And as in any standard-issue French art film, much symbolic play must be made with colour – note the gelid blue shirts worn by icy Auteuil, the brief eruptions of red in the frame when passion or anger threaten – and with well-chosen musical soundbites (tangled string-screechings from Ravel).

This is the same Claude Sautet who made Les *Choses De La Vie*, a film whose readimix tragic romance involving Michel Piccoli and Romy Schneider was ridiculed by the same critics who now rave about *Un Coeur En Hiver*. But what is the difference in art and effect between the two films? None: save Auteuil's ability to hypnotise us while one cliché-worn scene or character slides by after another.

There is the row in the restaurant, where our pure-bred heroine, having slapped on the scarlet-woman lipstick back home, tearfully turns all heads as she bawls out her man. There is the girl's jealous, quasi-Sapphic friend and manager (Brigitte Catillon), a Mrs Danvers for the Cinematheque set. And there is the scene that sums up this film's indomitable shallowness. One evening Auteuil goes to visit his friend and ex-music teacher (Maurice Garrel) in the country. Stepping from his car a few dozen feet from the house, he hears and sees the man bickering with his housekeeper-companion on the front terrace. Tactfully, silently, he steps back, restarts the motor and retreats down the drive.


André Dussollier and Daniel Auteuil in Sautet's 'Un Coeur En Hiver'

Have you ever started a car "silently" twenty-odd yards from the nearest witness? But this is a movie so in love with its po-faced contrivances that plausibility takes a back seat to romantic and symbolic pattern-making. For all its feints at psychological realism, the only things that distinguish *Un Coeur En Hiver* from *Love Story* or *Terms Of Endearment* are the French subtitles, the gnomic self-importance and Auteuil's acting, which hints at depths never plumbed by the script or direction.

*

In *Sommersby* Richard Gere returns from the American Civil War to a wife (Jodie Foster), a plantation (cotton) and a situation (is he the real Jack Sommersby?). In and around his peeling Tennessee mansion things are soon in lyrical turmoil, egged on – indeed over-egged – by Danny Elfman's music. Gere's foot size is too small; his memory for friends is faulty; and Foster notes a new, "improved" marital personality. Instead of the old Jack, cruel and unloving, this one is an selfless gallant who brings waves of offscreen violin music whenever he embraces her. And instead of being a feudal bully to the cotton-pickin' villagers, he gives them shares in his new tobacco-plantin' venture which ends up earning $10,000.

Inspired by the French film *The Return Of Martin Guerre*, *Sommersby* boasts some of the weirdest credits in recent history. Story by Anthony (*Sleuth*) Shaffer and Nicholas (*Star Trek*) Meyer; direction by Jon (*The Singing Detective*) Amiel; photography by Philippe (The Emerald *Forest*) Rousselot, in collaboration with an uncredited Rembrandt Van Rijn. (Lots of burnished browns and mysteriously-sourced glowing light).

One cannot say the film fails, for one would have to ask the question "Which film?" While Gere and Foster work their make-up off trying to bring life to Mr and Mrs Deep South – he all perplexed staccato boyishness, she lit from within by the candle-power she brought to *The Accused* and The Silence Of *The Lambs* – script, direction and camerawork seem more concerned with cranking out pretty pictures and social messages. The latter range from important bulletins about race relations in the New South – Good lord, the war's only just finished and here's Judge James Earl Jones on the bench – to lectures about married love and whether it is improved by not being married.

Then there is another film still. The ghost of The Return *Of Martin Guerre*: in which director Daniel Vigne and star Gérard Depardieu really did knit together personal emotion and credible historical sweep and really did – unlike *Sommersby* – set our heads ringing to questions about identity, imposture and the subversive mysteries of love.

*

After so much romance, here is Billy Crystal setting the nightclub tables on a roar in *Mr Saturday Night*. He plays stand-up comic Buddy Young Jr, a sort of George Burns meets Mel Brooks and do you both know Jack Benny. As we scramble to unscramble Young's career the film darts about in time, zigzagging from from childhood to second childhood via marriage (Julie Warner), sibling rivalry (agent-brother David Paymer) and multiplying layers of old-man latex (make-up artist, Peter Montagna).

Crystal wrote and directed as well as starring, and the strain tells near the end. The film keeps trying to stop, only to be caught up by another wave of would-be plot resolution and emotional uplift. We are in Buddy's twilight years, when he must sob on all shoulders and bury all hatchets, including those still sticking out of his family and friends.

Grin and bear it. Much of what goes before is joyous, including the hero's motormouthed gag routines on and off the stage. He varies his friendly venom from audience to audience: "What's this, a Civil War Reunion?" for the zimmer-framed oldies of a Florida retirement home, "I can show you something you've never seen before – your feet" to the fat heckler in the vaudeville theatre . . .

While the jokes change, the Crystal charisma stays gloriously the same. We saw it in *When Harry Met Sally* and *City Slickers*: the baby-faced, twinkle-lipped bravado that takes the most innocent remark and writes gentle, witty malice all through it.

UN COEUR EN HIVER (12)
Claude Sautet

SOMMERSBY (12)
Jon Amiel

MR SATURDAY NIGHT (15)
Billy Crystal

Opera

Jenufa

Anja Silja first sang at Covent Garden 24 years ago, as heroine of the last London *Fidelio* series conducted by Klemperer. Her appearances since have been absurdly infrequent but always precious. Now she supplies main light- and heat-source of the house's latest Janáček revival: a Kostelnicka of searing honesty, dignity and power of presence, a point of unwavering intensity amid the flickers of an otherwise somewhat disappointing *Jenufa*.

To lucky British opera-goers this portrayal was first shown, in all its greatness, at Glyndebourne four years ago, where it emerged as the crowning glory of Nikolaus Lehnhoff's magnificently severe production. In the larger London theatre it takes a while to come into focus – on current form the whole staging fails to provide this Kostelnicka with the necessary sense of oppressive containment, and at the start of Act 2 it seemed that Silja's soprano had been beset by a passing attack of the old wobbles.

But soon the voice had broken free of them, cutting across the spaces in a way that revealed its incomparable qualities of fearlessness and gutsy honesty. No touch of extraneous melodrama or calculation is permitted the character even in the opera's deepest moments of agony – the sight of this figure of gauntly severe moral authority gradually bent and broken is in itself a revelation of unvarnished Janáčekian insight. Once Nancy Gustafson – a Jenufa graceful, vocally glowing, but still dramatically pale and sketchy – learns to dig deeper into *her* character, as later in the run she surely must, the force of Silja's authority will no doubt be more resonantly answered than it was on opening night.


Alastair Muir

Anja Silja: a Kostelnicka of searing honesty and power

When new, in 1987, Yury Lyubimov's staging used all its whirring panels, whooshing gas-jets and balletic movement-groups to build up a tremendous surge of "innocent" theatricality, powerfully physical, unstintingly radiant. Although Lyubimov has evidently been back to supervise the current revival, that surge obstinately refused to happen on Tuesday; and in its absence one was left regretting the aura of High Art that clings to so much of his production methods. Jan Blinkhof's violently impulsive, vocally unruly but also brave-spirited Laca and Arthur Davies's Steva, a finely detailed portrait of a weakling, were both much admired in the 1988 revival; on this occasion each seemed blurred, not enhanced, by the staging.

Other than Silja, the most telling Janáček interpreter in evidence is the conductor, Jiří Kout (house debut), who marries strong awareness of the opera's dramatic workings to warm, natural feeling for the heart-lifting thrust of its rhythms and shape of its melodies. A shame Covent Garden still clings to the discredited Kovařovic revision of the score, with its grandiose, tub-thumping ending: as WNO, Glyndebourne and many other serious *Jenufa*-performing companies have now shown, the superiority of the Mackerras-Tyrrell edition is proved beyond argument.

Max Loppert

Royal Opera, Covent Garden: in repertory until May 7

Theatre/Malcolm Rutherford

The Treatment

The Royal Court Theatre has recently gone very American and rather sophisticated. John Guare's *Six Degrees of Separation* was not the sort of play you would have expected to see there. Ariel Dorfman's *Death and the Maiden* was American as well, though Latin. Even a home grown product such as Timberlake Wertenbaker's *Three Birds Alighting on a Field* combined a touch of New York with Sloane Square. David Mamet's new play about sexual harassment in an American university arrives shortly.

All of which, you might say, is a gust of fresh air from across the Atlantic and more than welcome. The American influence, however, has had a malign effect on Martin Crimp, the aspiring British playwright whose new work, *The Treatment*, opened at the Court on Tuesday.

Crimp is a talented writer looking for a subject. He showed great promise in *Dealing with Clair*, a play set around selling a house through a female estate agent at a time (1988) when the property market was booming. His *No-one Sees the Video* at the Royal Court Studio two years ago regressed in the sense that it seemed simply to be asserting (without proving) that there is something degrading in market research. Stretches of dialogue are effective; substance is lacking. Crimp wants to satirise but cannot find a target.

The Treatment could have been the great leap forward, his first showing in the Royal Court's main house. The aim is ambitious, for it is hard for a British playwright to write effectively about Americans on their own territory: they can do it so well themselves and are quite capable of self-parody.

This is Crimp's dilemma. It is not clear whether *The Treatment* is trying to imitate Mamet or take him off. If the play is meant to satirise the Hollywood machine, it fails completely for what the piece suggests, probably against Crimp's intentions, is that American script-writers are very professional – more so than those who seek to debunk them. It is a very English approach to think that Americans lack sophistication.

The plot is not simple. Essentially a girl called Anne (Jacqueline Defferary) offers material from her marriage to be turned into a movie. Directors and script-writers cross-question her, then seek to turn her story into something different to her original tale. Crimp may want this to be seen as a betrayal. Like the market research in *No-one Sees the Video*, however, the attempt to rewrite seems more like a service than an act of perfidy, the more so since Anne's story was never very clear in the first place.

There are some nice inventions, such as the black New York cab-driver who continues to drive despite being blind since birth, though again one wonders – is this satire, in which case it is painfully unpleasant, or just bizarre? Good scenes, too, in the Japanese New York restaurant, especially from the Brooklyn waitress.

There is also one blatant theatrical cliché: a man's eyes being put out on stage. One never liked the scene in *King Lear*; it seems remarkably out of place here.

The acting is very good, notably Sheila Gish as Jennifer, the woman who tries to make sense of Anne's story, cannot stand cigarettes but ends up smoking heavily in the general frustration. The direction is by Lindsay Posner. It is the play that does not work.

Royal Court Theatre (071) 730 1745


Alastair Muir

Sheila Gish: good acting

Concert/Richard Fairman

Anne-Sophie Mutter

The opening – a distant voice gradually making contact, as though from places far removed or a time long past – intimated from the outset that this would not be an ordinary performance of Sibelius's Violin Concerto. The mood and the delicacy are written into the score, but that does not mean they often come across so palpably.

The Sibelius concerto was not among the selection that Anne-Sophie Mutter chose to play in the series of concerts devoted to her at the Barbican a couple of years ago. Nor has she yet recorded it; perhaps it is not one of those to which she feels closest. But it would have been difficult to come to that conclusion from the performance she gave of it at the Royal Festival Hall on Tuesday with The London Philharmonic.

The last time that I heard this concerto, the soloist was the very young Midori – petite in tone, precise, perfectionist. There was little variety in the colour of the playing and within the first couple of pages Mutter had already traversed more ground in that respect than Midori did in the whole concerto, pleasing though she was for other reasons.

With Mutter colour is expression; it speaks, it makes music. On this occasion there was a lot of the full-blown romantic, dark, deep playing on the G string that she favours for Tchaikovsky's Violin Concerto (the Sibelius is its Northern younger relation) and the warmth of The London Philharmonic's sound goes well with that. The closing pages of the slow movement seemed to me particularly evocative, wonderfully measured, thoughtful playing. The finale was exciting – and never a sign of strain.

With a captive audience come to see the evening's soloist, Franz Welser-Möst and the orchestra were able to offer an unusual first half. Schubert is being featured as a running theme for a month or two and the concerto was preceded by Joachim's orchestration of the composer's Grand Duo for piano duet, a sort of overgrown divertimento, which could not stand as the main item of a concert itself.

To start, they gave what sounded a sharp and well-rehearsed performance of Nicholas Maw's *Spring Music*. With its rich textures bubbling with activity, not unlike Janáček thrilling at nature's evergreen renewal, the piece seeks to put into music "the energy and beauty of spring". It is an approachable example of the music of the 1980s, deserving of a re-hearing. Are we perhaps also seeing the green shoots of more adventurous programme-planning on the South Bank?

INTERNATIONAL ARTS GUIDE

■ ATHENS

Concert Hall Tomorrow and Sat: Ballet School of Paris Opéra . May 8, 10, 13: Marek Janowski conducts Orchestra of French Radio in Strauss' Die Aegyptische Helena (722 5511)
National Opera Tonight, Sun: Thais. May 2, 5, 7, 9: Adriana Lecouvreur (360 0180)

■ BARCELONA

Gran Teatre del Liceu Tonight, Sun, next Wed: Il trovatore with Aprile Millo (412 3532)
Palau de la Musica Tomorrow and Sat evening, Sun morning: Garcia Navarro conducts Barcelona City Orchestra in works by Henze, Mozart and Elgar, with violin soloist Dmitri Sitkovetsky. Next Wed: I Musici play Vivaldi concertos (268 1000)
● Information and booking through Caixa Catalunya (310 1212)

■ BOLOGNA

Teatro Communale Mon: Trio Kalichstein, Laredo, Robinson. April 30: Riccardo Chailly conducts first night of new production of Rigoletto (529999)

■ FLORENCE

The 1993 Maggio Musicale opens on Tues at the Teatro Communale with a new production of Jenufa, conducted by Semyon Bychkov and staged by Liliana Cavani, with Katarina Ikonomu in the title role. The opening week also includes a recital by the Labeque Sisters and a Vienna Philharmonic concert conducted by Zubin Mehta. In May there are productions of Carmen, Poulenc's La Voix humaine (with Renata Scotto) and Diaghilev ballets (277 9236)

■ GENOA

Teatro Carlo Felice Tonight, Sat, Sun, next Tues, Wed, Fri and Sun: Turandot with Ghena Dimitrova. Next Thurs: Georg Solti conducts London Symphony Orchestra (589329)

■ LONDON

THEATRE
● A Jovial Crew: Max Stafford-Clark directs Richard Brome's rarely performed comedy, written in 1641, about the daughters of a wealthy landowner who become so fascinated by a troupe of vagrants that they leave home to join them. An RSC production opening tonight in The Pit (Barbican 071-638 8891)
● Arcadia: Tom Stoppard's new play, directed by Trevor Nunn and starring Emma Fielding and Felicity Kendall. In repertory at the Lyttelton with Alan Bleasedale's wild new comedy On the Ledge (National Theatre 071-928 2252)
● Cheek by Jowl double bill: a new version of Alfred de Musset's Don't Fool with Love and a 20-minute piece by Michel de Ghelderode titled The Blind Men. Both are adapted and directed by Declan Donellan. Opens tonight, till May 15 (Donmar Warehouse 071-867 1150)
● Crazy for You: brilliantly staged new version of the Gershwin musical Girl Crazy (Prince Edward 071-734 8951)
● The Deep Blue Sea: Karel Reisz directs a strong production of Terence Rattigan's postwar drama (Apollo 071-494 5454)
● For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962. Most London theatres are closed on Sunday.

OPERA/DANCE
Covent Garden Tonight: David Atherton conducts the Lyubimov production of Jenufa, with Nancy Gustafson, Anja Silja, Jan Blinkhof and Arthur Davies (in repertory till May 7). Tomorrow: Charles Mackerras conducts WNO production of Tristan und Isolde, with Ann Evans. Sat: Carlo Rizzi conducts WNO production of La Favorita. Next Mon and Wed: Royal Ballet performances of Minkus' Don Quixote (071-240 1066)
Coliseum ENO repertory consists of Jonathan Miller's production of The Mikado and the Pountney production of Queen of Spades. Next Wed: Nicholas McGegan conducts first night of David Alden's new production of Ariodante, with Ann Murray and Amanda Roocroft (071-836 3161)
Sadler's Wells D'Oyly Carte Opera Company season runs daily except Sun till May 1, with performances of Offenbach's Orpheus in the Underworld and Gilbert and Sullivan's The Pirates of Penzance (071-278 8916)

CONCERTS
South Bank Centre Tonight: Mikhail Pletnev conducts Philharmonia Orchestra in works by Weber, Mozart and Tchikovsky, with clarinet soloist Michael Collins. Tomorrow: Sky in concert. Sat: Lothar Zagrosek conducts London Sinfonietta in works by Schwertsik and HK Gruber. Sat (Purcell Room): Hilliard Ensemble in music by 15th century English composer Walter Frye. Sun afternoon: Peter Schreier sings Die schöne Müllerin. Sun evening: Bernard Haitink conducts Orchestra of Royal Opera in works by Berlioz, Ravel and Shostakovich, with soprano Felicity Lott. Mon: Oliver Knussen conducts BBC Symphony Orchestra in works by Copland and Robin Holloway. Mon (QEH): John Lill is piano soloist in 10th anniversary concert of Goldberg Ensemble. Tues: Franz Welser-Möst conducts LPO in works by HK Gruber and Mahler. Wed: HK Gruber directs London Sinfonietta in works by Ligeti, Schwertisk and Gruber (071-928 8800)
Barbican Tomorrow: Christopher Seaman conducts RPO in a Beethoven programme, with piano soloist Martin Roscoe. Sat: Yehudi Menuhin conducts RPO in works by Mozart, Bruch and Beethoven, with violinist Anna Kandinsky. Mon: Howard Griffiths conducts ECO in works by Frank Martin, Schoeck and Honegger, with violin soloist Lydia Mordkovich. Wed: Ofra Harnoy is cello soloist with City of London Sinfonia (071-638 8891)

■ MADRID

Teatro Lirico La Zarzuela Tomorrow, Sun, next Wed, Thurs, Fri: Die Zauberflöte with Joan Rodgers, Robert Tear, Robert Lloyd and François Le Roux (429 8225)

■ MILAN

Teatro alla Scala Mon: Giuseppe Sinopoli conducts Dresden Staatskapelle. Tues: Gianandrea Gavazzeni conducts first night of Lamberto Puggelli's new production of Fedora, with Mirella Freni and Placido Domingo. In repertory with changing casts till May 30 (7200 3744)

■ PRAGUE

Dvorak Hall Tonight and tomorrow: Vaclav Neumann conducts Czech Philharmonic Orchestra in Brahms' Violin Concerto (Christian Tetzlaff) and Dvorak's Fourth Symphony. Next Wed: Suk Quartet (286 0111)
Smetana Hall Sat: Bambini di Praga. Next Wed: Robert Stankovsky conducts Prague Symphony Orchestra in a Tchaikovsky programme (232 2501)
National Theatre Sun: Dvorak's Devil and Kate. Next Tues: Smetana's Dalibor. Next Wed: Lucia di Lammermoor (205364)
● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 261602, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ ROME

Teatro Olimpico Tonight: Schubert chamber music recital with Uto Ughi and friends (323 4890)
Teatro dell'Opera Tonight, Sat, next Tues and Fri: Il trovatore with Giuseppe Giacomini, Daniela Dessi, Vladimir Chernov and Dolora Zajic. Mon: Lucia Valentini-Terrani song recital. Programme subject to cancellation or change at short notice (481 7003)

■ TURIN

Teatro Regio Tomorrow, next Tues, Thurs and Sun: Daniel Oren conducts Alberto Fassini's Trieste production of Adriana Lecouvreur, with alternating casts including Raina Kabaivanska, Stefania Toczyska and Giorgio Merighi. Next Mon: Ruggero Raimondi recital (8815 214)

■ VENICE

Teatro La Fenice Tues: Donato Renzetti conducts first night of Ugo Tessitore's production of Norma, with Monica Pick-Hieronimi, Luciano d'Intino and Dano Raffanti. Repeated April 29, May 2, 4, 6, 8 (521 0161)

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Sunday Super Channel: West of Moscow 1830
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Arts Guide

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
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Common sense never goes out of fashion

BOOK REVIEW

In the 1960s managers discovered accountancy. In the 1970s they discovered people. In the 1980s it was growth. In the 1990s they must put away fads and discover good management, or they will not survive the decade.

With big gestures, big generalisations and big threats, Sir John Harvey Jones begins yet another cracking read of a business book.

The world, he says, is changing rapidly and unpredictably. New technologies, new competitive pressures and new management theories are pouring on to the market faster than companies can absorb them. Everything is speeding up – a new product can only provide a lead for a short time.

Sacred cows are dying – economies of scale are less important than flexibility. As plants become more mechanised, the gains come not from increasing productivity, but from putting capital to better use. The battleground has switched to marketing, branding, research and development, and distribution. Skills are becoming more quickly outdated, and workers are less willing to conform either in terms of behaviour or to fixed working time.

In the 1990s, he argues, all companies have access to the same tools; the winners will be the ones with the best strategic aims, the best motivator of people, the best manager.

There is barely an original word in all this. But originality is much over-rated when it comes to management books, as there is scarcely a new management idea under the sun. Instead, the appeal of the book is that it is lively, short, and (almost) jargon-free. Above all, it rings true.

In spite of his huge following, Sir John is no management guru. For someone so opinionated he has few theories, and has little time for the "instant panaceas" of those who do. His message is more of the different-strokes-for-different-folks variety. That allows him to pick and choose among the latest management ideas,

MANAGING TO SURVIVE: A GUIDE TO MANAGEMENT THROUGH THE 1990s
By John Harvey Jones
Heinemann £15 pp184

and provide a great service to readers by explaining them in plain language. Once the theories are stripped of all their usual verbiage, it is hard not to agree with Sir John, who believes that most have their worth, but none alone will give a company more than a short-term edge.

His discussion of "total quality management" (squeezed incongruously into a chapter on the environment) is a case in point. He argues that having the quality seal will not determine who the winners are; it will only serve as an entry ticket to the race.

Sir John's thesis is that to cope with the pressures of the decade, managers must be visionary. They must take risks; they must have a broader vision of all the international options. They must have a clear sense of where the company is going. They must be committed to continual change and continual learning. They must move fast; they must respond to environmental pressures; and they must manage technology rather than let technology manage them. Managers must be bold enough to be radical, and modest enough to admit mistakes.

In spite of his insistence that there are no simple solutions, he does not hold back on giving advice. Again this is of the distinctly sensible variety. What should you do in a recession? The answer, he says, is to focus on the essential parts of your business. Cut costs. Bring in cash, selling assets even at knock-down prices. Look after your people; give the ones you make redundant as much help as you can; keep on training those you wish to keep.

A sympathetic view of human nature radiates throughout the book. Sir John believes that employees want their companies to do well, and argues that they deserve the trust of their superiors. This means managers should delegate as much as possible, as those who do the job are best equipped to make decisions about it. People should also be told as much as possible about the business – the extra vision is worth the (minimal) risk that they will run off and tell the competition. And as for office politics, anyone who is engaging in that cannot have enough work to do. Perhaps that management layer could be cut out altogether.

The same sense of decency colours the new relationship between customers and suppliers. Now that companies no longer seek to do everything in-house, they must find the fittest partners, working with them on the basis of mutual interest rather than fighting for extra margin.

In all this there are many notes which will be familiar to readers of his earlier books. Indeed, Sir John has been a champion of common sense for decades. Yet the book feels up to date, with recent examples of companies that are doing – or not doing – what they ought. One gets the impression, however, that most businesses are not even thinking along the right lines, let alone starting to put the winning strategy in place.

Though sensible, many of these themes are spelt out more than once, as if Sir John had written the book at great speed. Perhaps this is to be expected; his last book is barely cold on the presses, and given the number of his other commitments, it is a wonder he found time to write it at all.

Its tone, however, marks a departure from previous books. Although on every page it is clear that Sir John is more a man of action than ideas, there are fewer personal anecdotes than in earlier works – which is just as well since it has been a good six years since he did an executive job at ICI.

Instead, a slightly jarring evangelical note has crept in – one feels that he is writing the book not so people will go out and buy it, but so managers will take note and make Britain great again. But even if it is partly a tract, it is a stimulating and useful one. It could have been still more so with tighter editing, and some of the space saved used for an index.

Lucy Kellaway

Survival through a part-exchange

Pressure is growing for a review of London stock market operations, writes Richard Waters

The London Stock Exchange faces a curious paradox. It supports a successful international share market in London that has left every other stock exchange in Europe searching for a way to compete. By the end of last year nearly 40 per cent of turnover in French shares was taking place in London, not Paris. Other European equity business done in London ranged from 12 per cent of turnover in German shares to 56 per cent of Dutch stocks.

Yet the spectacular failure to complete Taurus, the paperless settlement system, has caused the exchange's existence to be called into question. Before the fiasco, the central stock market authority had already been engaged in a steady unbundling process: it had given up or lost a number of functions, from acting as a trade association to regulating member companies.

Now, the shock from Taurus has shaken City confidence in the exchange so hard that this orderly process threatens to accelerate and slip beyond the exchange's control. According to the most pessimistic observers in the City the exchange could eventually be broken up, its remaining functions being taken on by a number of other regulatory or commercial entities.

Pressure for a fundamental review of the exchange's operations is coming in large part from the big securities houses in London, whose dealing activities provide the heart of the share market. They have long felt neglected by the exchange, and have been stirred into action by the Taurus incident. And after three years under the abrasive Mr Peter Rawlins, the chief executive who resigned to take the blame for the Taurus, the exchange is finding that it has few friends elsewhere in the City or Whitehall.

Two of the market authority's main activities are likely to be shed within the next few months. The first is share settlement (the process of exchanging stock for cash after a share trade takes place). The Taurus debacle left the exchange with little credibility in this area, and it has proposed the creation of a separate, industry-wide clearing house to take on the job.

The second activity likely to be shed is the dissemination of share prices and company news through the exchange's Topic service, which has a dominant share of the market for such information in the UK. Rivals like Reuters, which relaunched its own rival screen service at the start of this year, are fast eating into the exchange's market and it has concluded that, to stay competitive, it would have to make a substantial investment in upgrading its outdated technology. The answer, likely to be agreed at a board meeting today, is to contract out the management of Topic, leaving the exchange with royalty income from the system, before disposing of it altogether at some time in the future.

Together, settlement and information services brought in £101m of the exchange's £194m of income last year. Much of this income will be lost, though the exchange plans to remain a wholesaler of information, collecting and processing company news and share prices and feeding them to commercial distributors.

These developments will further eat into the exchange's cost base – one of the main bones of contention between the market authority and its members, who have experienced lean times themselves and baulk at funding a large central market organisation. The exchange's staff numbers have already fallen to about 1,000 from 1,800 one year ago. After the planned changes in the exchange's operation staff numbers will fall considerably further.

The failure of Taurus has shaken City confidence in the London Stock Exchange

However, costs will not fall as fast as many stock exchange members would like. The exchange already has extensive empty office space in London, with leases which do not expire for several years. The cost base, according to one board member, will still be £130m, compared with nearly £300m last year.

The proposed changes raise the questions of what will be left, and whether the exchange will survive the attack from various quarters in the City? In the wake of Taurus, the exchange's chairman, Sir Andrew Hugh Smith, has fallen back on what he claims is the exchange's core function: running a regulated market which brings together the users and providers of capital. To what extent the exchange's remaining range of activities fulfils this aim – and whether some functions would better be taken on by other agencies – is an open question.

The regulation of the primary stock market (on which companies raise capital by issuing shares) and the secondary market (on which shares which have already been issued are traded) lies at the heart of the exchange's plan for itself. It has been designated as the "competent authority" for listing companies by the 1986 Financial Services Act, and runs market supervision and surveillance operations to regulate the secondary market.

Should it continue to do these jobs? There have been calls from rivals to the exchange for the competetent authority role to be handed over to an separate agency, perhaps the Securities and Investments Board, the UK's chief investment watchdog. But despite the superficial neatness of such a move – it would bring the UK into line with other leading markets – there is little apparent need or demand for a switch. Nor is there any sign of pressure for secondary market regulation to be handed over to another agency, such as the Securities and Futures Authority, which has taken on the job of regulating securities companies.

If the big marketmakers do not get what they want, they could go elsewhere

But if there is broad consensus that regulating the primary and secondary markets should remain the exchange's core role, there is less accord on what systems it needs to do the job. This is the cause of the disagreement now brewing between the market authority and London's largest securities houses. In theory it needs only a trade reporting system, to monitor transactions in the market, and some arrangement for the publication of market trades (similar to the consolidated market tape in the US) to maintain a level of market transparency.

This raises the question of whether the exchange should also maintain the computer base on which Seaq (the market system introduced at the time of Big Bang) runs. This takes in prices from market makers – which are obliged to quote prices at which they will buy or sell shares – and consolidates these into pages of prices, which are then displayed to users, the public face of the stock market. These pages of marketmaker prices do much to maintain the image that London maintains a liquid stock market, the competitive edge which has helped it maintain its international position.

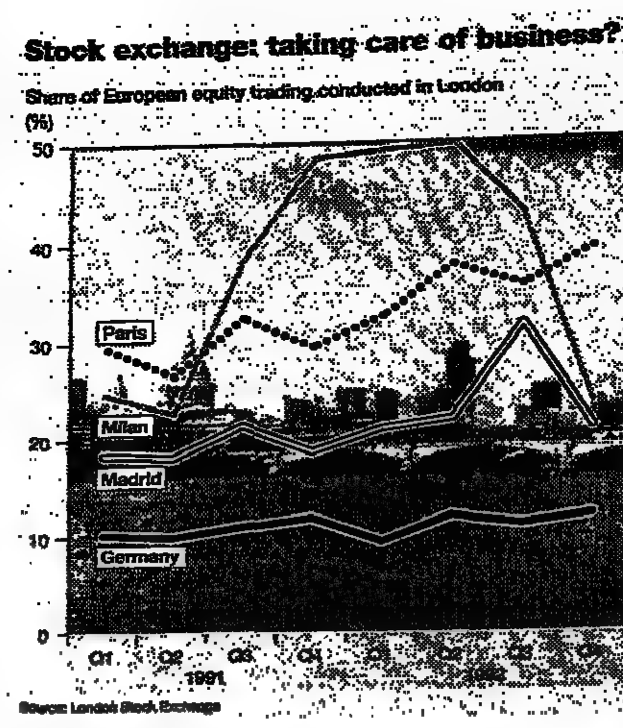
The computers on which Seaq runs are being subjected to an overhaul by Andersen Consulting at a cost variously put at between £40m and £75m. According to the marketmakers, the exchange should scrap Seaq and buy something off the shelf – probably Nasdaq, the US system on which Seaq was initially modelled in the mid-1980s.

This could turn out to be more than a dispute over technology. Seaq lies at the heart of the marketmaking system on which the London stock markets run – both for domestic and international shares. Yet marketmaking has proved an unprofitable business. A change in the market's technological base could also raise the question of how the market operates.

The implied threat being made by the big marketmakers is this: that if they do not get what they want, they could simply take their business elsewhere. The international bond market, after all, does not need an exchange. Prices are carried by commercial information vendors, and settlement is through separate international clearing houses. To create such a market, it would only take the biggest marketmakers to agree on trading rules between themselves and find a company like Reuters to carry their prices.

Now that really is something to keep the exchange's executives awake at night.

Stock exchange: taking care of business?



Source: London Stock Exchange

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Why British industry fails to attract talent

From Mr Jeremy Ledger.

Sir, Following on from Crispin Hills's plea for industry to "draw the best pupils" (Letters, April 20), the following facts may highlight the extent of the current problem.

The EC-supported tripartite degree involves English, French and German students studying electronic engineering in all three countries, meaning they graduate as trilingual engineers – surely just the kind of people Britain needs. Yet of the six who graduated from Southampton University last year, five are now in engineering posts abroad, and the one who stayed in the UK has left engineering. And while most of the 160 graduates from the 10-year-old scheme have stayed in engineering, only three of these are now in the UK.

In France and Germany, both the status and salaries of professional engineers are far higher than here, and the damning figures above should surprise nobody. Unless it makes comparable offers, British industry will never attract or keep the talent it needs.

Jeremy Ledger,
Dataquest Europe,
Roussel House,
Broadwater Park,
Denham, Middx UB9 5HP

From Mr Duncan Heenan.

Sir, Mr Crispin Hill's letter calling for academics to extol the virtues of a career in manufacturing suffers the same credibility problem that all such calls do from people who want others to do it but who are not prepared to do it themselves. If all the academics, journalists and other pundits who have suddenly realised that Britain's manufacturing base is seriously ill actually tried it, they would find out why many of the most able avoid or leave manufacturing. They would see that in manufacturing, incomes (below PLC board level) are significantly lower than in the professions, job security is less, and to get the job done you have to make the sort of decisions and take risks those in "the professions" avoid like the plague.

I agree that we need to raise the status of working in manufacturing, but the place to start is to raise the relative pay levels sharply. The rest will follow. While City slickers can charge £300 an hour to sell off the assets of bust businesses or to pontificate about manufacturing from the outside, can you blame anyone choosing to do that in preference to working harder for a fraction of the money, albeit that they have the "satisfaction" of doing something of use to the world.

Duncan Heenan,
Spring Cottage,
21 Gotherington Lane,
Bishops Cleeve,
Cheltenham, Gloucestershire

The uncut Jumpers

From Mr Tom Stoppard.

Sir, In his review of "Arcadia", Malcolm Rutherford unwittingly perpetuates a myth about Jumpers ("Order and chaos in Arcadia", April 15). I owed a lot to Kenneth Tynan, and profited from his scrutiny, but it is quite untrue that he cut the play by an hour during rehearsal, unilaterally or otherwise, or needed to.

At a working dinner after the first preview, Tynan, the director Peter Wood, and I discussed cuts and I shortened the play's coda by about 10 minutes. The main casualty, incidentally, was Tarzan, played by Alan Mitchell, who is Jellaby in Arcadia.

Tom Stoppard,
Iver Grove,
Iver, Buckinghamshire

Pressure of time, not boredom, behind short cuts taken by junior auditing staff

From Ms Caroline Willett.

Sir, Andrew Jack's article about our research into irregular auditing ("'Bored' junior auditors take short cuts" April 8) gives a useful picture of our work. We should like to stress, however, that it does not seem to be boredom which is most associated with junior staff taking irregular short cuts, but pressure imposed by time, budgets and/or a perception that particular audit tests are not important.

Andrew Jack's report also states that our methods were criticised by "some academics". As we recall, the only academic to criticise our methods when our paper was presented at the recent meeting of the British Accounting Association was the director of research of the Institute of Chartered Accountants in England and Wales (ICAEW). There was in fact considerable support for our methods and the credibility of our findings from the official discussant of the paper, experienced social researchers and other members of the substantial audience at the presentation.

Readers of our paper will need to make up their own minds about whether we have identified a cause for concern, but we feel it is scarcely credible that alleged biases in design and response would produce evidence of so many junior accountants taking irregular short cuts, if the practice was not in fact common.

We hope that, instead of attempting to denigrate the reliability of our findings, firms of accountants and all the accountancy bodies involved in auditing will take our results seriously. (It is unlikely that the behaviour we have described is confined to students and members of ICAEW.)

We have offered to work with firms of accountants to investigate further the range of irregular shortcuts taken by staff, an offer which is still open, and we also look to the auditing bodies to support further independent research.

Caroline Willett,
Portsmouth Business School,
University of Portsmouth,
Locksway Road,
Milton, Southsea,
Hampshire PO4 8JF

Not just commercially skilled

From Professor Leon Hollerman.

Sir, In his letter, "Technology crucial to debate on UK's economic renaissance" (April 15), Professor Ian Mackintosh maintains that the "Japanese (and other Asian) industrial economies have risen from scratch to giddy heights largely on the skilful commercialisation of electronic goodies for the home and the office".

Behind "skilful commercialisation" lies product and process technology of a high order. Moreover, beyond the "electronic goodies" Japan is a world leader in electronics and electronic engineering, including semiconductors, computers and telecommunications. It stands on the eve of producing the 256-megabit DRAM transistor.

Professor Mackintosh could make a stronger case.

Leon Hollerman,
professor of economics,
Peter F Drucker Graduate Management Center,
Claremont Graduate School,
4252 Via Padova,
Claremont,
California 91711,
US

Good performance in recession

From Mr John Nickson.

Sir, It is good for opera that Covent Garden is in surplus but Antony Thorncroft's report ("On song at the opera", April 17/18) that ENO is "in decline" is not borne out by the facts.

Paid attendances have declined by 6 per cent since last year, not 15 per cent. That is a creditable performance in the depths of recession. More than 320,000 people (more than for any other opera company in the UK) attended 215 performances in 1992-1993, with an average seat price of £25. Moreover, ENO increased its private-sector income to a record £1.64m last year, with 17 out of 20 productions sponsored.

Rather than play one company off against the other, those who support opera should concentrate their efforts on persuading the government to reverse planned cuts to the Arts Council grant next year. Neither ENO nor Covent Garden can afford to lose further revenue.

John Nickson,
director of corporate affairs,
English National Opera,
London Coliseum,
St Martin's Lane, London WC2

FINANCIAL TIMES
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Thursday April 22 1993

ERM remains on trial

WHEN MR EDOUARD Balladur, the new French prime minister, meets Chancellor Helmut Kohl in Bonn today, he will at least leave no foreign exchange crisis behind him. The French authorities have managed to cut short-term interest rates, while maintaining the franc firmly within its exchange rate mechanism bands. They will now wait for the Bundesbank to give them the lower interest rates they need. But even if the immediate crisis were to prove over, questions about the future of the ERM would remain.

The Bundesbank is virtually certain to loosen monetary policy further, if more slowly than France would wish and not as far as it needs. This helps explain why Mr Balladur does not seem anxious to promote divisive Franco-German monetary initiatives. What he has done, instead, is position his country for future monetary discussions by promoting the independence of the Banque de France.

Such discussions must be rather likely. The immediate crisis in the ERM may be fading, though this cannot be assured so long as the current slowdown lasts. But even a period of stability would not end the story. Transition to economic and monetary union (Emu) on the lines laid down in the Maastricht treaty looks unlikely this century. Yet the ERM's credibility has been seriously damaged by events. The European Community is in monetary policy limbo.

The central bank governors do not see things so apocalyptically. They regard the agonies of the ERM as the result of a number of specific forces: inadequate inflation convergence between 1987 and 1992; cyclical divergences in 1991 and 1992; inflationary pressure in Germany following unification; inadequate fiscal consolidation in many countries; and wide fluctuations in exchange rates against the US dollar and the yen. These should have caused greater exchange rate pressure than occurred, they argue. That they did not is because of the expectation of steady progress toward Emu, an expectation that was overturned by the Danish referendum.

On this view, the ERM can become fully workable once more, provided governments allow timely exchange rate adjustment or pursue policies more conducive to economic convergence. The view is arguable, but not convincing. It does not allow for the instability of adjustable peg exchange rate regimes, in the absence of exchange controls. If pre-emptive realignments are expected, markets will force them to happen. But if such realignments are not expected, the pressure for short-term interest rate convergence is likely to thwart convergence of inflation.

The ERM may survive for a while without further crises, largely because the Bundesbank must now act in ways that would also stabilise the European economy. But the ERM is far from flawless. It has flaws, nay "fault lines". Unhappily for France, there exists no simple cure.

Private finance

ONE OF the most intriguing elements of the chancellor's Autumn Statement was the announcement of a new drive to attract private finance for public services. Out went the notorious Ryrie rules which were supposed to assist in private financing but in practice threw up insuperable obstacles. In came new Treasury guidelines to allow the private sector to play a much greater role in return for genuinely assuming risk. Departments have organised seminars to attract proposals from the private sector for joint ventures. For all this effort, however, there has so far been little progress in attracting new funds for public projects.

Yesterday's announcement of a change of rules in the National Health Service to encourage greater use of private finance is therefore welcome, if somewhat timid. NHS trusts and health authorities can now involve up to £10m of private finance in projects without Treasury approval, a 40-fold increase the previous limit. In most cases, any new facilities created through such projects will be additional to existing health service plans, providing extra benefits for patients without an increase in the NHS budget.

The immediate response of the opposition was to describe the move as "privatisation" of the health service. This predictable, if depressing, reflex demonstrates nothing more than the paucity of thinking by Labour and the Liberal Democrats. Aneurin Bevan's comprehensive and universal NHS, free at the point of use, is not altered by the private provision of health services. The role of the NHS as purchaser of health services for all its customers can be carried out whoever provides the services on the ground.

Far from trimming to such criticism, ministers should be much more ambitious in attracting the private sector into the health service. A recent paper written for the Social Market Foundation by Mr David Willetts MP proposed six types of project which the private sector could provide for the benefit of NHS patients. These included the sort of energy-saving and equipment-leasing deals which yesterday's announcement will facilitate. But the paper also proposed using the private sector to build and manage specialist medical units, such as kidney dialysis units. It pointed out that more services could be bought in from private hospitals. And private healthcare companies could be used to provide a salaried family doctor service in London and other cities starved of primary care facilities.

Joint ventures between the public and private sector should be much more than just off-balance-sheet financing, free from the constraints of the public sector borrowing requirement. The real benefits of private financing will come only if the private sector is allowed to assume more of both the risk and the management function, delivering value for money through innovative ways of providing public services.

Wage follies

AFTER THE breaching of the Berlin Wall 3½ years ago, a minority of observers predicted unification would spell East Germany's industrial doomsday. The scale of the manufacturing collapse in a state once regarded as the jewel in Comecon's rusted crown has, however, exceeded all expectations.

In view of competition with the west, and the shrinking of Comecon markets, a large decline was inevitable. It has however been magnified by the misguided post-unity drive to align wages in both parts of Germany, which has eliminated many east German companies' survival chances.

German employers are thus right to describe as "economic suicide" the attempt by IG Metall, the engineering union, to force through a plan for further large wage rises. Strike ballots will be held next week to determine whether from May 3 eastern Germany will witness its first full-scale industrial conflict for 60 years. IG Metall wants to sustain a 1991 accord for a 26 per cent wage rise in the electrical and metal sectors. Employers say they cannot afford a rise beyond east Germany's 9 per cent inflation rate.

IG Metall, probably rightly, fears employers' success in rewriting the 1991 deal would encourage them to unravel job-protecting aspects of west German collective bargaining agreements. Large German companies, hit by the D-Mark's appreciation and excessive pay increases, are already intensifying efforts to cut western manufacturing costs.

The dispute has repercussions beyond Germany's borders. By promising east Germans speedy accession to western living standards, west German politicians and industrialists hoped to keep east Germans sufficiently quiescent to limit westwards migration. The ensuing large fiscal transfers to east Germany have however stoked inflationary pressures. And these have driven the Bundesbank into interest rate policies which have caused or prolonged recession in much of Europe.

Even if IG Metall won a confrontation with employers, the fruits of victory for its dwindling east German membership would be bitter. Unrealistic wage increases would spur more plant closures, increase unemployment, and encourage more companies to opt out of the centralised wage agreements the union wants so fiercely to keep intact.

Germany needs the social consensus that trade unions have helped foster since the second world war. But Germany also needs more economic flexibility to allow companies, organisations and workers to adjust to the nation's strained circumstances. Hastening industrial destruction in an area representing the European Community's largest depressed region is the wrong way either to maintain German trade unions' standing in society, or to achieve the wider objective of making unification a success. There is still time for a face-saving compromise. But it is fast running out.

After this week's Italian referendums, electoral reform can no longer be avoided, writes **Robert Graham**

The people shake the pillars of state

With an apt sense of symbolism, Mario Segni, the leader of Italy's referendum movement, chose to celebrate this week's triumph of the vote for electoral reform in *Rome's Piazza Navona*.

It was in those same magnificent, baroque surroundings that jubilant crowds toasted a plebiscite in May 1974 which introduced the controversial principle of divorce to largely Roman Catholic Italy. That was the first occasion since the second world war that the Italian public forced a reluctant political establishment to recognise a social reality, when a Christian Democrat-dominated parliament had declined to do so.

Once again, with Sunday's eight referendums, the Italian people have spoken. An extra-parliamentary instrument was necessary to remind the politicians that Italy is changing and that the electorate wants a political system commensurate with such change.

"It's the victory of the Italian people, who in an overwhelming majority have today laid the foundations of the new republic," Mr Segni told his supporters. "Other peoples have obtained such reforms only after wars or dramatic convulsions ... This has been achieved peacefully and with a democratic instrument."

If the people are the winners, the politicians are the losers. They have been arguing about electoral reform for more than a decade and have quite simply failed to grasp the urgent need to come up with concrete proposals. As a result of the referendum, they are now forced to adapt legislation which introduces a first-past-the-post electoral system in the Senate, the upper house.

Even so, Italy may risk missing a big opportunity to overhaul the constitution if another weak government now emerges to replace that of Mr Giuliano Amato's outgoing four-party coalition. Reform could remain piecemeal, rather than tackling pivotal issues, such as the ill-defined position of the presidency, the absurd duplication of the roles of the upper and lower houses, the weak powers of the prime minister subordinate to the party leaders, and the excessive number of parliamentarians, currently 945 strong.

When the legislature opened last June, electoral reform was a central item on the agenda. All parties agreed the existing system of proportional representation was to blame for encouraging small political groupings, which in turn produced unstable coalition governments. (The Amato government is the 51st since the end of the second world war.)

A joint parliamentary commission was set up last autumn, on President Oscar Luigi Scalfaro's insistence, to review the entire 1947 constitution. At the commission's back was the near-certainty that the proposed referendum on electoral reform of the Senate would go ahead, and be approved. Nevertheless it wasted precious time in procedural arguments, while the Christian Democrats and Socialists fought a rear-guard action to retain proportional representation and prevent the introduction of a first-*past-the-post system*.

In January, the two parties belatedly changed course and the commission finally adopted the principle of majority voting for the bulk of the seats in both houses. But this was less out of conviction than it was a cynical calculation to avoid what would be an inevitable referendum vote being turned into a plebiscite on the government (which had happened with the June 1991 referendum abolishing the system of multi-preference votes). Since then the commission has judged it prudent to await the outcome of the referendum.

This week's result has set forth two inter-related political imperatives. First, a new government has to be formed, taking account of the overwhelming vote in the eight referendums favouring political change. Second, parliament – with 16 parties that are even more fragmented than a year ago as a result of growing internal contradictions and the shocks caused by the continuing wave of corruption scandals – has to forge a consensus on electoral reform.

Such reform is a pre-condition for fresh elections, which are essential to provide legitimacy to parliament. Only a new parliament can take account of both fast-changing political alliances and the public's desire to see the back of a political class thoroughly discredited by corruption scandals.

In the past 10 months the current parliament has received 302 requests to waive immunity of legislators under investigation on various charges, mostly related to corruption. Only a new parliament can have the moral standing to take measures to deal with the very real problems created by the hundreds of prosecutions which threaten to clog the courts for the next decade.

The choice of the next prime minister and the composition of the government depend in good measure on how the party leaders judge the referendum. Does it mark the beginning of a wholly new era or is it the final phase of the first republic? On balance they are likely to accept that the transition is still in progress. Despite the changes of the past year, including the rebuff to the long-ruling Christian Democrats and Socialists in the April general elections and the convulsions caused by the corruption scandals, the process will only be complete after fresh elections.

This means that the life of the next government will be as short as it is practical to produce new electoral laws. It must have sufficient weight to chivvy parliament, and possess the technical competence to manage an economy still in recession. It must also deal with the worrying overshoot in government borrowing requirements as well as sustain the momentum of the privatisation programme.

The state of the country is such as to make it difficult to postpone elections beyond the autumn, after the political feeler of partial municipal elections due in June. But producing electoral reform may take longer – even the referendum movement is divided over what form of majority voting is best. The parties are also bereft of funds to fight an election this year; one of the weekend referendums abolished state funding of parties.

Against this backdrop, Mr Segni, who emerged victorious in the referendum fight, has obvious credentials to be the next premier. Having courageously split with the Christian Democrats after 16 years, he is a new face and, at 53, represents a younger generation of political leadership. But he has no organised party, and may seek a longer period for the current legislature. He also could lose standing during the difficult transition process.

It may therefore be more practical to choose either an independent figure, with experience of parliament, or someone with a known track record who can find a parliamentary base broader than the current four-party coalition. In these circumstances, Mr Amato, who has performed an extraordinary act of survival while preparing the way for economic reform, may yet have a role to play.

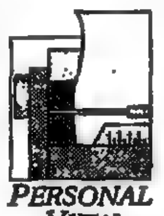
But Mr Amato, or any other prospective candidate in tandem with President Scalfaro, must convince new allies to come on board. The Lombard League, the one new significant force in parliament, accounting for a third of the vote in the north, would be a sufficient ally to give credibility to a coalition centred on the old four parties. But Mr Umberto Bossi, the Lombard leader, is wary of such a commitment. So too are other potential allies, such as the Republicans.

The underlying problem behind the absence of national unity in this crisis can be found in the respective attitudes of a dispirited Christian Democratic party (which is considering changing its name to the Popular European party) and the communists, metamorphosised into the Party of the Democratic Left (PDS) under Mr Achille Occhetto. Italian politics since the second world war has been conditioned by their mutual antagonism.

Even now, the Christian Democrats are traumatised by the suggestion that Mr Giorgio Napolitano, the former communist leader of the Chamber of Deputies, the lower house of parliament, might be chosen as an above-party figure to head a transitional government. Equally, the PDS is shackled by the psychology of an opposition party, and is reticent about supporting any government, essentially for fear of being associated with a discredited political class.

For an effective solution, the political parties must recognise that they are no longer playing a game of musical chairs in which no one ever pulls away a chair. The electorate and the investigating magistrates have already removed several. If the politicians do not realise this soon, Italy faces a dangerous vacuum of authority, which is precisely what all the politicians say they wish to avoid.

A slimming programme for fat cats



PERSONAL VIEW

Company board compensation committees across the UK are under pressure. There is a widespread perception, articulated even by such establishment figures as the head of the Institute of Management, that pay structures for company directors are driven by greed and avarice rather than logic and incentive. But is it true that most top managers are greedy? The answer turns out to be less than sensational, though it is a complex and tricky problem to resolve.

Compensation for the top team is not set by management themselves. It is usually proposed by an outside firm of compensation specialists, working to guidelines set by the board's compensation committee (itself usually composed only of outside directors). The committee is anxious to accomplish two things – first, to attract, motivate and retain good talent to run the company, and second, to protect the interests of the shareholders by making sure that only the minimum of compensation necessary to meet these aims is paid.

Our recent survey of top management compensation schemes* in the UK's largest 400 companies has identified a single, well-intentioned decision, common to some 70 per cent of the plans surveyed, which one can demonstrate will inevitably lead to above-inflation raises for top management, year after year.

We asked whether organisations wished to set base pay at the *average* level (vis-à-vis the competition) or above, or below, average. Imagine you are a member of a board compensation committee. Do you want to attract average talent? Of course not. You want to attract superior people, so you will want to pay *above* average to do this. So far, so good. Here's the snag: some 70 per cent stated that they desire the base pay of their top team to be either somewhat, or a lot, above average.

However, the compensation committee is then told by its compensation consultants that it is failing to achieve its objective – pay is not above average, it is only average. For the committee to meet its objective, it needs to give everyone in top management a significant pay rise.

In 12 months the compensation specialists are called back to report whether, as a result of the weighty pay increases of the previous year, the scheme is now meeting its objective of paying above average. Unfortunately, since every other company did the same, top management pay is now, in each firm, still only average – another significant rise is necessary!

The main driver of compensation must cease to be comparison with competitors

This expensive roundabout continues indefinitely, year after year. The result has been an exponential explosion in top management pay. If the average company continues to want to pay above average, the exponential growth will not end.

How can this vicious cycle be broken? Is the board to declare a pay cut of 20 per cent for its top management, and risk losing all its best people to companies which have not made the cut? Or should it modify the objective, seeking merely to match top management pay to the competitive average (with all that implies for the board's perception of its management's perceived value)?

At PA we can see only one solution. The main driver of compensation must cease to be comparison with competitor companies: instead the focus must be on increasing shareholder value. The company's objective can then be changed to pay only the competitive average, or even below average, for base salary. The way, nevertheless, to attract superior people is to balance such a package by offering a significantly higher potential bonus, although *only* if shareholder value is significantly increased. To underline this approach, the form in which compensation is paid has to be more vigorously oriented towards aligning the interests of top management with those of shareholders. To do this, part of the bonus would be paid in shares, say in restricted stock that cannot be sold until the results of the manager's efforts are having an impact – good or bad – on the stock price.

Crafting such a programme is not simple. The transition from the existing to the realigned programme carries the dangers of upsetting good managers and distracting them from the task of running the business. Communicating the programme is also difficult because it is likely to be more complex than the existing scheme. The benefits, however, are significant. Managers' interests will be closely aligned with those of shareholders. Top managers themselves will be profoundly grateful that they will no longer be subjected to accusations of "greed". And the UK might be able to escape the unproductive vicious spiral of ever-increasing top management salaries.

Jon Moynihan

The author is group chief executive of PA Consulting Group.
**To be published shortly*

OBSERVER

Cut down to size

■ *Why so much fuss about the* suddenly reduced stature of Mount Everest, whose previously estimated height of 29,029ft has *been whittled down by scientists* toting laser meters?

True, it might have been worth recording if the loss had been the one of nigh a mile and three quarters implied by the Guardian newspaper in stating the revised height at 20,022ft 7.2in. But the real reduction is only of a couple of yards or so, leaving the Himalayan peak at about 29,022ft.

What's more, even at the previous figure, Everest was far from being the world's highest mountain. The same also applies, for that matter, to its usually quoted Kashmiri rival, K2, lately estimated at 28,238ft.

All that either of them could claim to be is the tallest above the sea-level in their particular area of the globe – which is a dodgy measure despite being the one conventionally adopted – since how far the sea rises above the land varies from one region of the world to another.

At least equally dodgy, of course, is the alternative yardstick of height above the general surface of the earth itself in the locality, by which the island of Hawaii's volcanic Mauna Kea rears up from the ocean bed to 33,476ft, almost *20,000 of which are under water.*

But even that is dwarfed by the *highest in terms of the nearest* thing to an absolute measure: the distance of the peak from the centre of the earth. By that gauge, Chimborazo in Ecuador, where sea-level is far higher than at the latitude of the Himalayas, towers about 1½ miles above Everest.

Absent friends

■ Numerous notables joined 3m Turks in Ankara yesterday for the state funeral of President Turgut Ozal. The public figures included Shevardnadze of Georgia and Ter-Petrosian of Armenia – hardly Turkey's most popular neighbour at the moment. Also there were Greece's Prime Minister Constantine Mitsotakis and President Richard von Weizsäcker of Germany.

But the notables present were less noteworthy than the absence of certain western leaders. It was they who so much valued Ozal's support during the Gulf war, when he cut off Iraq's pipeline and made Turkish airfields available for US bombers, in defiance of most Turkish public opinion and indeed of his own military top brass.

Where, oh where, were John Major, François Mitterrand and George Bush? Britain was represented by Baroness Chalker, and France by its new telecommunications minister, Ge'rard Longuet. Former US secretary of state Jim Baker did turn up, but the Clinton

'I joined the Foreign Legion to forget I was in the FBI'

administration made do with Warren Christopher's deputy, Cliff Wharton.

As for Bush, gee, he'd have just loved to be there, if he hadn't been too busy opening his presidential library.

Bank tank

■ After the heady excesses of the 1980s it might have been thought that research into financial innovation was a touch passé. Not so, as witness a new London think-tank, the Centre for the Study of Financial Innovation, just opened for business.

Sir Kit McMahon, erstwhile deputy governor of the Bank of England, Sam Cross, formerly of the New York Fed, and John Heimann of Merrill Lynch, are among the big names supporting the venture which was dreamed up by FT colleague David Lascelles and economist Andrew Hilton, the centre's first director.

Most of the research to date has been focused on the risks of such innovation to the financial system, rather than on the opportunities. So Hilton, who will continue to work part-time for his mentor Minos Zombanakis, says he is looking for the "single big idea" that will change the way people think about the financial system.

In a business where there are very few new ideas, the problem may be getting commercial rivals to share their best secrets.

Piece dividend

■ *Anthony Edwards, Dowty's chief* executive, explaining to yesterday's DTI select committee that long timescales in the aerospace business can bring income from spares and servicing decades after the development of a product: "We still overhaul one Spitfire propeller blade a month," he said.

"But we have to go to Germany to get the blade."

Pounded down

■ Two cheers, perhaps, are due to whichever Whitehall whizz-kid had the idea of binning Britain's old £1 notes in favour of coins, which were introduced 10 years ago yesterday.

Although twice as expensive to produce, the hard stuff withstands the wear and tear of circulation for more than 50 times longer with an official life expectancy of 40 years.

Alas, whether the increased longevity is worthwhile is another question.

Valuing the coin at the full 100p on its introduction, the Central Statistical Office says that its purchasing power 10 years later is only 61p. If the buying power continues to fall at the same compound rate, by the time a 1983 coin wears out in 2023, its worth will be less than 14p.

Suicidal

■ Zeneca's pathfinder prospectus revealed just how keen it is on *killing things. Herbicides,* insecticides and fungicides are its stock in trade. And its products bear suitably militaristic brand names: Fusillade, Ambush and Karate are three. But judging by ICI's recent share price performance, new product names might include retreat, rout and surrender.

Bank note

■ What is the difference between a banker who goes off the rails and a derailed train?

The train stops.

FINANCIAL TIMES
Thursday April 22 1993

Italian prime minister bows out but may head new government

Referendums bring Amato's term to an end

By Robert Graham in Rome

MR Giuliano Amato yesterday bowed out as leader of Italy's 51st postwar government, telling parliament the results of Sunday's referendums had brought an end to his 10-month-old four-party coalition.

In a short but forceful speech the 54-year-old Socialist premier said only a new government could legitimately cope with the outcome of the overwhelming vote for change registered in the eight referendums.

Mr Amato is not expected to hand in his formal resignation until either today, when parliament stages a one-day debate on the nature of a future government, or until such a government is formed. President Oscar Luigi Scalfaro has let it be known he would like to be in a position to invite a candidate to form a new government by the weekend.

Mr Amato was heard mostly in sombre silence as he listed the country's problems in coming to terms with a political transition that risked a serious vacuum of power. He went out of his way to hold out an olive branch to the former communist Party of the Democratic left (PDS).

He said it had to be given the benefit of the doubt for having the courage to adopt a new political identity after leaving communism behind. This appeared to be a major attempt to convince both Mr Achille Occhetto, the PDS leader, to support the next government, and to force the Christian Democrats to drop their opposition to the PDS.

Mr Amato urged the next government to maintain his policies of fiscal austerity, privatisation and focusing Italy towards Europe.

He gave no hint as to whether he was prepared to continue as premier, but the tone of his speech suggested he was willing if asked. The choice would lie with parliament, he said, reminding deputies that if all those discredited by association with corruption scandals were now excluded, few groupings would be left.

The end of the Amato government, composed of Christian Democrats, Socialists, Social Democrats and Liberals, came on a day when events underlined the collapse of the traditional parties.

Mr Salvo Ando, the Socialist defence minister, was notified that he was under investigation for alleged vote-buying involving Mafia elements in his native Catania. He was the seventh member of Mr Amato's government to have be caught up in a corruption scandal.


Ando: seventh minister caught up in corruption scandal

At the same time Mr Claudio Martelli, the former Socialist justice minister, received his third warning that he was under investigation for alleged corruption. This warning related to an alleged kickback of L400m ($250,000) on a power station contract at Brindisi for which his secretary, Mr Sergio Restilli, was also arrested.

The day also saw Mr Giulio Andreotti, the veteran Christian Democrat politician, appear for the third time before a Senate commission to argue against having his immunity waived for alleged Mafia associations.

Meanwhile, Mr Bettino Craxi, the former Socialist leader, was questioned by a Belgian magistrate investigating alleged irregularities in the sale of helicopters to the Belgian armed forces.

People shake the pillars of state, Page 15

Yeltsin's referendum hopes increase with court ruling

By John Lloyd in Moscow

RUSSIA'S Constitutional Court yesterday strengthened President Boris Yeltsin's hand by ruling he needed only a simple majority among those voting on the two most crucial questions in the referendum to be held on Sunday.

The Congress set rules under which he would need the support of half the 107m electorate.

The split decision of the court was immediately welcomed by Mr Vyacheslav Volkov, the president's deputy chief of staff, who said that "for us now this decision will be law".

The court found that the Congress of Peoples' Deputies exceeded its powers in decreeing that all four questions in the referendum required a majority of the entire electorate.

By exempting the first two questions – on trust in Mr Yeltsin and approval of his economic programme – from these constraints, the court's ruling will allow Mr Yeltsin to claim a victory if he wins assent to one or both questions.

The court also ruled that the turnout must exceed 50 per cent of the electorate, which opinion polls say is likely.

The ruling clears the way for Mr Yeltsin to take immediate "decisive action" by presenting a "range of urgent measures" aimed at extending the base of private property, regulating the financial system and pursuing constitutional change.

However, the court's confirmation of the right of the Congress to insist that 50 per cent of the electorate is needed to confirm early presidential and parliamentary elections means that a clear "yes" for either of these remains unlikely – though the polls show a solid majority of those intending to vote in favour of early re-elections of the parliament.

However, Mr Yeltsin's position is still far from secure. A sign that Mr Yeltsin is no longer seen as the only flagbearer of reform came yesterday when Mr Sergei Shakhrai, his close aide and a deputy prime minister, said he considered himself a candidate for the presidency and hinted he might stand if Mr Yeltsin did badly in the referendum. Mr Shakhrai joins General Alexander Rutskoi, the vice-president and Mr Grigory Yavlinsky, the prominent economist and former deputy Soviet prime minister, as declared candidates if Mr Yeltsin fails to win strong support.

Mr Shakhrai's low-key comments may be taken as a sign of restlessness in the presidential camp, particularly as Mr Yeltsin has appeared uninspirational during the campaign. Though there is no overt disloyalty and a general recognition that he is the only figure who can mobilise support for reform, there is an increasing feeling that too many mistakes are being made.

Mr Anatoly Chubais, the deputy prime minister in charge of privatisation, reflected this yesterday when he said the recent appointment of Mr Oleg Lobov – a long time associate of Mr Yeltsin's – as first deputy prime minister in charge of the economy was "wrong". Mr Chubais said that "it recalled the time when the chairman of Gosplan (the central planning agency) was in the Communist party politbureau and the volume of production was everything. The head of the economic minister should not be more important than that of the finance ministry".

Mr Chubais said privatisation was now marked by "success and dynamism" and that those who had benefited from the sell-off of property would be a large constituency for Mr Yeltsin.

Clinton faces defeat on economic package

By George Graham in Washington

PRESIDENT Bill Clinton is facing an important legislative reversal after Senate Democrats yesterday again failed to overcome Republican resistance to his economic stimulus package, in spite of his decision to reduce it by $4bn to $12bn.

The White House refused to admit defeat yesterday morning, but Democratic senators acknowledged that they could see no way of breaking Republican opposition.

A vote on the bill yesterday produced no defections among Republicans, who have maintained their filibuster since before the Easter recess. As long as they remain united, they can deny the Democrats the three-fifths majority needed to bring the measure to a vote.

One Democrat, Senator Richard Shelby of Alabama, continued to vote against his party, leaving the vote at 56-43 – four votes short of the 60 needed.

Mr Clinton may now be forced to fall back on a much-reduced version offered by Senator Mark Hatfield, a moderate Republican. That proposal would salvage only $6bn of the $16bn the administration originally proposed.

Some members of Congress argued that it would be best for the president to cut his losses before the perception spreads that he is powerless to break Washington gridlock.

"You move on to other things. I don't think it serves the president to belabour this further," said Senator Dale Bumpers of Arkansas, one of Mr Clinton's Democratic allies.

Most economists argue that the stimulus bill, which the administration claimed would, in its original form, have created 500,000 jobs, provides far too small a cash injection to have any appreciable effect on the huge US economy, and is in any case no longer needed since the economy is now on its way to recovery.

Some recent weak economic statistics have given the administration ammunition for arguing the stimulus is still needed to "goose" the recovery.

A popular, if cynical, interpretation of Mr Clinton's insistence on the need for the bill is that he wants to claim the recovery as his own, rather than something well under way before he took office.

Owen fails to persuade Serb leader to accept peace plan

By Laura Silber in Belgrade

LORD OWEN, the European Community mediator, yesterday failed in his eleventh-hour effort to persuade Serbian president Slobodan Milosevic to swing his weight behind the international peace plan for Bosnia.

During a one-day visit to Belgrade, Lord Owen made what many observers see as a final effort to persuade Mr Milosevic to bring Bosnian Serb leaders to heel and support the plan, brokered by Mr Cyrus Vance and himself, to divide Bosnia into 10 provinces.

After a 2½ hour session behind closed doors, Mr Fred Eckhard, spokesman for the mediators, admitted little hope remained that Serb leaders would drop their opposition to the plan.

He said: "I don't want to say last chance, but there's a particular pressure now on everybody to see if something can't be pulled out at the last minute." Lord Owen also held two rounds of talks with President Dobrica Cosic of the rump Yugoslavia.

State-run Serbian media attacked Lord Owen for his calls for foreign air strikes against Serbian targets. But yesterday he did not publicly repeat his threats of military action.

Mr Eckhard, admitting the failure to overcome fierce Serb objections to the plan, said: "If the Serbs say 'no' as they have done today, they have no option really but to turn it over to the Security Council."

The Vance-Owen plan demands considerable concessions from Bosnian Serbs. They currently control 70 per cent of the territory of Bosnia-Hercegovina, but have been allocated only 43 per cent of its land surface under the mediators' proposed peace settlement already signed by the Bosnian Croats and Moslems.

Serb leaders remained defiant even on the eve of additional punitive measures from the international community. More economic sanctions are due to come into effect on Monday which would virtually isolate Serbia and Montenegro from the outside world, if Bosnian Serbs fail to endorse the plan.

Lord Owen also had a secret meeting with Mr Radovan Karadzic, but the result of their talks has not been disclosed. Mr Karadzic was quoted by Tanjug news agency as telling reporters in the Bosnian town of Zvornik that the Bosnian Serb parliament would meet on Friday and Saturday to discuss whether to accept or reject the Vance-Owen plan.

Asked whether the assembly would quit the peace talks, Mr Karadzic said: "I am convinced that our parliament will decide in that direction because it is really not our duty to co-operate with those who are punishing us."

Lord Owen yesterday also met Croat military leaders in an attempt to arrange a ceasefire between Croat and Moslems forces in central Bosnia.

Sanctions hit Belgrade, Page 3

World Weather

		°C	°F
Ajaccio	S	19	66
Algiers	S	29	84
Amsterdam	[illegible]	16	61
Athens	S	21	70
Bahrain	[illegible]	35	95
Bangkok	F	35	95
Barcelona	S	17	63
Beijing	S	23	73
Beirut	S	[illegible]	66
Belfast	C	11	52
Belgrade	S	17	63
Berlin	S	21	70
Bermuda	R	21	70
Bombay	S	31	88
Bordeaux	F	23	73
Boulogne	C	11	52
Brussels	F	21	70
Budapest	S	16	61
Buenos Aires	R	11	51
Cairo	S	24	75
Cape Town	S	28	82
Caracas	F	31	88
Casablanca †	[illegible]	19	66
Chicago †	S	-1	30
Cologne	S	22	72
Copenhagen	F	12	54
Corfu	S	20	68
Dallas †	S	8	46
Dublin	C	12	54
Dubrovnik	S	[illegible]	66
Edinburgh	C	10	50
Faro	F	18	64
Florence	S	19	66
Frankfurt	S	23	73
Geneva	S	21	70
Gibraltar	C	18	64
Glasgow	C	11	52
Helsinki	[illegible]	4	39
Hong Kong	T	21	70
Innsbruck	F	21	70
Inverness	C	12	54
Islamabad	F	34	93
Istanbul	S	15	59
Jakarta	R	31	88
Johannesburg	F	23	73
Lisbon	R	13	55
London	F	15	59
Los Angeles †	S	15	59
Luxembourg	[illegible]	19	66
Madeira	C	17	63
Madrid	C	13	55
Majorca	S	21	70
Malaga	C	16	61
Malta	S	20	68
Manila	C	35	95
Melbourne	S	28	82
Mexico City	C	26	78
Miami †	S	21	70
Milan	S	20	68
Montreal †	Fg	2	36
Moscow	[illegible]	2	36
Munich	F	22	72
Nairobi		-	-
Naples	F	19	66
Nassau	F	26	79
New Delhi	S	37	99
New York †	F	13	55
Nice	[illegible]	17	63
Nicosia	S	19	66
Oporto	F	14	57
Oslo	R	6	[illegible]
[illegible]	S	20	68
Prague	S	20	68
Reykjavik	S	4	39
Rhodes	S	21	70
Rio de Janeiro	F	34	93
Rome	S	18	64
Salzburg	S	22	72
S'Francisco †	C	[illegible]	66
Seoul	S	22	72
Singapore	F	28	82
Stockholm	[illegible]	7	45
Strasbourg	S	25	77
Sydney	[illegible]	22	72
Taipei	C	29	84
Tangier	[illegible]	17	63
Tel Aviv	S	22	72
Tenerife	S	23	73
Tokyo	C	13	55
Toronto †	Sn	1	34
Tunis	[illegible]	24	75
Valencia	F	19	66
Venice	[illegible]	17	63
Vienna	S	16	61
Warsaw	S	[illegible]	52
Washington †	F	17	63
Zurich	S	21	70

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

THE LEX COLUMN

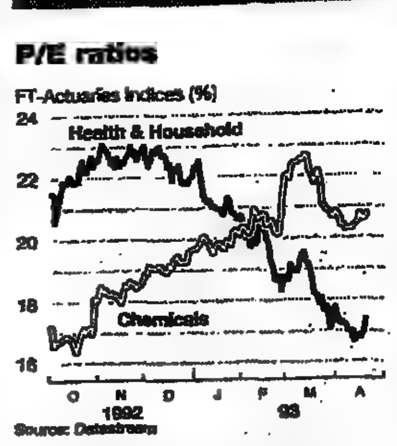
Drug cultures

Zeneca's pathfinder prospectus contains little to convince those sceptical of the benefits of demerger, but at least it will not have to support ICI's cyclical chemicals business through the next downturn. Cash transfered to ICI amounted to £421m last year, more than half Zeneca's cash inflow from trading and three times the amount paid over in 1990. Of course, Zeneca has to bear its share of ICI's dividend instead – £200m before the rights issue – but the new owners may prove less demanding in this respect than the old.

Other promised benefits are more nebulous. Liberated from the influence of ICI's chemical engineers, Zeneca might create a corporate culture rooted in scientific research and marketing. But that will not deliver speedy results even if it can be achieved. There are restructuring benefits to look forward to, although these could equally be achieved within the larger group. The lion's share of last year's £195m exceptional charge is being spent reducing costs, notably in speciality chemicals and agrochemicals. Since Zeneca expects this expenditure to be repaid within two years, that should flow quickly to the bottom line.

Given the uncertain outlook in Zeneca's main markets, that is just as well. Agrochemicals must live through another two or three lean years while the reform of the CAP reduces demand. Pressure on the drugs industry from governments shows no sign of easing. Mrs Hillary Clinton is now unlikely to reveal details of her crusade against healthcare costs before the rights issue is priced. The good run in pharmaceutical shares this week must be encouraging, but there have been plenty of false dawns during the great de-rating of the sector.

FT-SE Index: 2869.6 (+13.5)



UK stock market

The argument over how to overhaul SEAQ, the Stock Exchange's share trading system, is coloured by the Taurus débâcle. The choice is again between a solution engineered by the Exchange and proven technology bought from elsewhere. Having sunk so much cash into the Taurus electronic settlement system without result, big securities firms can hardly be blamed for doubting the exchange's ability to manage similar technology projects.

Whichever solution is chosen, the current system of market making could do with some fine-tuning. The liquidity of SEAQ's quote-driven market since Big Bang has attracted business, but market makers have not earned a consistent return on capital. The Securities and Investments Board is not helping market makers by declining to relax rules on public disclosure of large trades. Without that, the choice is between edging towards an order-driven system on the model of European markets or relaxing the market-making obligations of dealers.

The Exchange's choice of technology could determine the outcome. Since it has no guaranteed monopoly of share trading, though, the wishes of big securities firms cannot be ignored. The role of the Exchange as a provider of settlement services has already been called into question. It can ill afford another dust-up.

Smiths Industries

When even a company's management argues that its largest market will not turn up before the middle of the decade, things must be tough. The depressing part of Smiths' analysis of the aerospace sector is that it is probably right. Civil aircraft deliveries will continue to fall into 1994. The 150-seat aircraft sector will probably be the worst affected, which is bad news for Smiths, given its dependence on the Boeing 737. There is also the risk that Boeing may redesign the aircraft with higher technology cockpits, forcing Smiths to bid for the work again. Military prospects hardly look much brighter.

In the circumstances, Smiths' expansion into medical systems looks timely, even with concerns about healthcare spending. While the company has generally bought wisely, there are limits to expansion. The recent acquisition of Infotech and Vent Axia cost £122m but involved a goodwill write-off of £102m. That helped cut shareholders' funds from £330m to £248m in six months. Future targets in high-tech medicine would probably also be highly priced with low fixed assets. Now all the cash has been spent, Smiths must choose between debt funded bids which would quickly erode the balance sheet's strength and paper purchases which would dilute earnings.

The company argues that the City exists to help it overcome such accounting niceties. Even so, there must be limited headroom for a company which will struggle in 1995 to generate the same level of earnings it produced in 1988, however well it is managed.

US bonds

The performance of the US bond market recently has something of a fin de siecle feel. While the market has scored impressive gains since the presidential election, there is a fear that the long bull market may be drawing to a close. Thirty-year interest rates below 7 per cent have not been seen consistently for a generation and, if the economic recovery follows the pattern of the last 20 years, capacity constraints and tightening labour market conditions will eventually reignite inflation. The nervousness in the bond market over commodity prices earlier this year underlined the point. And with short-term rates held at the inflation rate, the strong growth seen in the fourth quarter of last year may soon be resumed.

Perhaps. But the issue turns on whether there are any real differences between this upturn and previous cycles. Neither borrowing nor lending patterns will quickly recover from the shock of this recession. Personal incomes are also still under pressure and there is little sign yet of a substantial upturn in employment. It may be that the buoyant consumer spending late last year was a one-off release of pent-up demand.

Bond prices have been rising for so long that the air must be getting a little thin for some investors used to less heady levels. The bond market is thus vulnerable to a short-term correction. But with plenty of unused industrial capacity, much stronger economic signals will be needed before a wholesale retreat begins.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday April 22 1993

INSIDE

Aviation downturn hits Smiths Industries

Smiths Industries has, for the first time, made more profit from medical products than aerospace, the UK-based group's traditional core activity, following the downturn in civil aviation. Delays in defence procurement and cuts in aircraft programmes caused trading profits from aerospace to slump from £18.2m to £13.9m. Page 24

Income increases 12.8% at AT&T

American Telephone & Telegraph, the US telecommunications and computer group, unveiled a 12.8 per cent rise in first-quarter income, before accounting changes which led to a $5.6bn loss. Mr Robert Allen, chairman, said that, excluding the accounting changes, the results augured well for the rest of the year. Page 20

Christies buys Spinks

Christies International, the auctioneers, bought Spink and Son, its neighbour in the heart of London's art market. The sale is worth up to £16.3m to Andrew Weir, the private shipping and hotels company that owns Spink, and is significantly below the £50m sought in 1990.

Parmalat gets recipe right

Parmalat, the dairy products group once burdened by debt and troublesome diversification, could become Italy's biggest listed foods concern. Competitors such as Barilla, SME, Eridania and Buitoni do not offer the same ingredients. Acquisitions helped push Parmalat's group sales to 23 per cent to L1,636bn ($1.07bn) last year and should reach L2,800bn in 1993. Page 21

Freeze for flight attendants

Japan Airlines, the country's largest carrier, is to cancel its annual intake of Japanese flight attendants for next spring. JAL has been hit by a fall of almost a fifth in the number of business and first class passengers last year, as Japanese companies have sought to cut costs. Page 22

First loss for IBM German unit

Recession, weak prices and restructuring took IBM Deutschland to its first annual loss – DM443m ($277m) for 1992. Mr Hans-Olaf Henkel, chairman, said the company managed to achieve an operating profit of DM272m. Page 21

Korean banks in clean-up

It promises to be a tumultuous year for South Korea's 23 commercial banks. The industry has already become the first business sector to feel the impact of the new government's anti-corruption campaign. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Philips Kommun	552	+	10.4
Falls			
Bilf & Berger	995	–	18
Daimler-Benz	587	–	10.2
Heidelb Zem	1079	–	18
Hochtief	1090	–	37
Holzmann Ph	1010	–	65

NEW YORK ($)

Rises			
AMR	69½	+	4⅝
Borland Intl	21⅞	+	1⅞
Delta	59½	+	3
UAL	147	+	7
Falls			
BankAmerica	48⅝	–	1¾
First Union	45⅝	–	2¼

New York prices at 12.30pm.

PARIS (FFr)

Rises			
SLIC	730	+	23
Falls			
Bouygues	654	–	18
Cap Gemini S	186	–	9
Fin Poliet	447.2	–	47.9
GTM-Entrepose	420	–	18
Intertechnique	480.1	–	19.9

TOKYO (Yen)

Rises			
Nissin Elec	1080	+	84
S'tomo Spl Mtls	1670	+	160
Yahagi Iron	368	+	34
Falls			
Takasago Tekko	371	–	37
Tokyo Gas	542	–	18
Yamaichi	830	–	22

LONDON (Pence)

Rises			
Borland	1400	+	150
Bullough	105	+	11
Ellis Everard	195	+	12
Estates & Gen	15	+	2½
Evered Bardon	44	+	6
Forward Group	205	+	26
Gresham Tele	167	+	15
Helical Bar	186	+	16
Huntleigh Tech	1158	+	88
ICI	1236	+	41
Ibstock Johnsen	61	+	5
Johnston Group	116	+	10
Meyer Intl	362	+	21
Prestwich A	110	+	30
SmKl Beecham A	468	+	24
Taylor Woodrow	113	+	10
Telemetrix	150	+	12
Wimpey (G)	169	+	11
Falls			
Applied Holo	79	–	16
Barlows	43	–	3
Bentalls	108	–	9
Cornwall Parkr	215	–	15
Hammerson A	288	–	12
Lyles (S)	88	–	11

Volvo chairman reveals SKr9.5m salary

By Hugh Carnegy in Gothenburg

MR PEHR Gyllenhammar, the chairman of Volvo, yesterday bowed to pressure from the Swedish vehicle maker's small shareholders and disclosed that his annual salary is SKr9.5m ($1.3m), making him Sweden's highest paid executive.

Addressing Volvo's annual general meeting, attended by more than 2,000 shareholders, Mr Gyllenhammar also gave details of his other benefits, the salary package of Mr Sören Gyll, the chief executive, and the "golden parachutes" paid to two former top executives who left the company last year. Mr Gyllenhammar announced that the Volvo board would set up an audit committee and a committee for management development and remuneration for a trial period of a year to counter accusations by Aktiespararna, the Swedish shareholders' association, that he had presided over excessive pay deals for himself and senior colleagues at a time when Volvo was tumbling into losses.

Mr Sören Gyll, chief executive, said conditions for Volvo in 1993 continued to be "extremely tough". There were benefits from the SKr9bn cost-cutting programme and signs of upturn in the US and UK markets, but he could give no assurance that sales volumes would rise this year. Sales in Sweden, where new car registrations are at 1940s levels, were flat and the European outlook was bleak.

Volvo cut its dividend by 50 per cent last year and decided to close two of its three Swedish car plants after incurring losses after financial items of SKr4.75bn.

Mr Gyllenhammar announced that he had held renewed talks with Mr Carl Bildt, the prime minister, over the future of Procordia, the partly state-owned food and drugs group in which Volvo is the largest shareholder. The government last year blocked a bid by Mr Gyllenhammar to merge the two companies, prompting calls from Aktiespararna for clarification of Volvo's intentions.

Mr Gyllenhammar believes he will be able to reach an agreement with Mr Bildt that would give Procordia "a stable ownership base". Mr Lars-Erik Forsgärdh, head of Aktiespararna, said Mr Gyllenhammar had satisfied 90 per cent of his association's questions. Mr Gyllenhammar said his salary was made up of a basic remuneration of SKr7.1m, plus SKr2.2m and a "handcuff" element of SKr231,000.

Background, Page 18

Compaq doubles earnings on tripled PC sales

By Louise Kehoe in San Francisco

COMPAQ Computer doubled its first-quarter sales and earnings and tripled the number of PCs shipped.

"The company's performance in the first quarter was driven by record demand for our products from a broad base of customers," said Mr Eckhard Pfeiffer, president and chief executive.

Net income in the quarter jumped to $102m, or $1.23 per share, from $45m or 53 cents per share while revenues increased 106 per cent to $1.6bn from $783m.

Net earnings were boosted by a lower tax rate. The company said it had adopted an international investment strategy that has lowered its estimated tax rate to 24 per cent, from 33 per cent in the first quarter last year.

Analysts said the expansion of the company's manufacturing operations in Singapore would lower its effective tax rate.

"We achieved these record results while driving down operating expenses," Mr Pfeiffer added. Operating expenses were down in absolute terms as well as a percentage of revenues, the company said.

"Our challenge is to sustain our growth and maintain our focus on improved profitability by closely managing our gross margins and tightly controlling expenses."

Mr Daryl White, Compaq chief financial officer, said market growth had been stronger in North America than in international markets. In Europe revenues increased by 59 per cent to $673m in the first quarter, but this was the lowest regional growth rate. North American sales were up 159 per cent at $795m.

Last year Compaq moved aggressively into the Japanese market, offering PCs at prices well below those of Japanese producers. In March, it launched 39 new PCs , and demand for these models has been particularly high, the company said, although shortages of several components have constrained its ability to keep up with demand.

Mr White said Compaq was optimistic that sales will remain strong throughout 1993, despite predictions from analysts that growth in PC sales will slow down. "We are planning for slower growth, but based on first quarter momentum it doesn't seem likely," he said. "We have a large backlog of orders."

Group says it will encourage foreign investors ■ Full-year dividend to be 27.5p

Zeneca up in quarter after 1992 decline

By Maggie Urry

ZENECA, the bioscience business of Imperial Chemical Industries, said yesterday that it had started 1993 on a "firm note" and that first quarter trading profits were "usefully ahead". It confirmed its intention of paying a net dividend of 27.5p for 1993.

The statement came in the pathfinder prospectus for Zeneca's planned demerger, flotation and £1.3bn ($1.96bn) rights issue published yesterday. ICI shares rose 41p to 1236p yesterday.

Zeneca also confirmed that arrangements had been made to encourage investors outside the UK to purchase Zeneca shares.

The prospectus acknowledged that "in the US the Clinton administration's health care reform plans could include further efforts to restrict price increases," that the agrochemicals business was being affected by reform of European agriculture policy and that speciality chemicals had been affected by the recession.

However, Mr David Barnes, chief executive, said Zeneca's aim was to produce "sustainable earnings growth supported by strong cashflow". Mr John Mayo, finance director, said the fall in Zeneca's trading profits from £682m to £587m, before exceptional items, in 1992 was a "downward correction".

Zeneca's main products

The prospectus said that if Zeneca had had the benefit of the rights money in 1992, and ignoring the £52m costs of the demerger, pre-tax profits would have been £278m not the £103m reported.

The rights issue will be priced and underwritten on May 12 and demerger is due to go ahead on June 1, subject to ICI shareholders approval at a special meeting on May 28.

Two syndicates of investment banks – covering North America and the rest of the world – have been appointed to solicit purchasers for shares. S.G. Warburg Securities, the global co-ordinator, will cover these purchases by buying Zeneca rights in the market.

The intention to tap this pool of demand for Zeneca shares is expected to add tension to the pricing of the rights issue. Mr John Mayo, Zeneca's finance director, said yesterday "the key objective is to reduce the cost of capital to the group" by presenting investors worldwide with the opportunity to buy Zeneca shares.

With Warburg, Goldman Sachs International and Barclays de Zoete Wedd will be international marketing co-ordinators. Goldman will head the US syndicate and Warburgs the rest of the world. The three houses are also underwriting the rights issue.

On top of the usual underwriting commissions for the rights issue, Zeneca will pay a commission of 2.15 per cent of the value of shares sold by the international marketing group. From this Warburg will pay syndicate members a 1 per cent commission. Warburg will also receive a fee of £50,000 plus expenses. However, the international marketing co-ordinators will return half their profits to Zeneca.

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Background, Page 18

McDonnell Douglas improves sharply

By Martin Dickson in New York

MCDONNELL Douglas, the US defence and aerospace group, yesterday reported a sharp improvement in first-quarter earnings – in spite of declining US military spending and a troubled world airline industry.

It announced net earnings of $216m, or $5.51 a share, including $122m of gains from the resolution of tax issues and the sale in the UK of McDonnell Douglas Information Systems International.

Excluding these gains, earnings totalled $94m, or $2.41 a share, compared with $20m, or 52 cents last time. Revenues dropped from $4.06bn to $3.62bn.

The company, which has been financially stretched during the past few years, also reported a 10 per cent reduction in the debt of its aerospace business, from $2.76bn at the end of 1992 to $2.48bn, thanks to asset sales and improved operational cashflow.

It hopes to achieve $1bn in free cashflow in 1993 and cut debt to around $1.8bn by the end of the year, which would lower its debt to total capital ratio from 48 per cent at the end of 1992 to around 35 per cent.

Mr Herb Lanese, chief financial officer, described as "conservative" the Wall Street consensus forecast of 1993 earnings per share of $8.66.

The results were better than the market expected and McDonnell Douglas's shares, which have risen from $48 at the end of last year, jumped a further $1¾ in morning trading on the New York Stock Exchange, to $62.

Mr John McDonnell, chairman, said there were two fundamental reasons for the strong performance: "Programmes that were doing well have continued to do well or even better. Second, there were no write-offs or major losses."

He said this included the controversial C-17 cargo aircraft programme, which was close to break-even for the first time in eight quarters and was expected to see profit later this year.

The programme is substantially over budget and some congressmen want to curtail or even cancel C-17 procurement.

● General Dynamics, the defence contractor which is shrinking through asset sales, yesterday announced first-quarter earnings after taxes of $41m on sales of $878m, up 37 per cent on the $30m of earnings reported a year ago on sales of $848m.

Foreign shareholder attacks Uni Storebrand rescue plan

By Hilary Barnes in Copenhagen

CB CAPITAL Bank, a Swiss investment bank which is the largest foreign shareholder Uni Storebrand, yesterday attacked one of three restructuring plans being considered for the Norwegian insurer.

Mr Leon Genoud, chairman of CB Bank which owns 4.1 per cent of Uni Storebrand capital, said the financial restructuring would be "discriminatory of present shareholders, especially foreign ones".

The plan, in part, calls for a syndicate of 35 Norwegian companies to underwrite capital issues of NKr2.8bn ($413m), including NKr1bn in new equity capital.

Some 50 per cent of the new share issue will be reserved for members of the syndicate.

One proposal in the plan is that the face value of existing shares should be written down from NKr20 to NKr10 per share.

Details of the other two plans, which have been formulated by an alliance of creditors, potential new investors and the administrators, have not been released.

Mr Erik Keiserud, Uni Storebrand chairman, declined to comment on the Swiss banker's comments.

"We will take his views into consideration," he said.

Uni Storebrand collapsed last year after over-extending its finances by a hostile raid on Skandia, the Swedish insurance group.

Mr Genoud said he would have no objection to the plan if existing shareholders were free to offer to buy all of the 280m new shares, with the syndicate underwriting any which remain unsold.

In a letter to Mr Keiserud he wrote: "To pretend that the equity of the Uni share is less than the nominal value of NKr20 is an insult to bookkeeping and to common sense."

Mr Genoud, using figures from the Uni Storebrand annual report, claimed that the book value of Uni shares at the end of last year was NKr54.40 per share, the "real value" was NKr103.50. Before being delisted, the shares last traded at NKr13.30.

Mr Jan-Petter Collier, partner in the broking firm of Sunndal Collier and one of the authors of the plan, dismissed CB Bank's complaints.

"Old shareholders will have preference to buy into the the solution, so they are protected. It will then be up to the market to put a value on the shares."

Loss at AGF bank subsidiary leads to 45% drop in profits

By David Buchan in Paris

ASSURANCES Générales de France said yesterday that a FFr963m loss by its banking subsidiary, Banque du Phénix, was the main reason for the insurance group's 45 per cent drop in profits to FFr1.49bn ($275m) last year and a cut in dividend to FFr12 from FFr13.70.

But Mr Michel Albert, president, said his group had weathered the recession and property slump better than many other French insurers, and insisted that AGF, of which the French state owns 75 per cent directly and indirectly, was still a prime candidate for privatisation.

He said there was logic in the government selling off state insurers first rather than waiting for them to enlarge their holdings by buying into companies already privatised.

AGF claims that the balance sheet of Banque de Phénix has now been strengthened by the sale of some FFr3.5bn in property assets to Comptoir des Entrepreneurs. But the latter property company has had to be recapitalised by its owners, among them AGF which has a 20.8 per cent stake. AGF's share in Comptoir des Entrepreneurs loss last year was FFr217m.

Mr Albert said AGF was still on course to become "a big federal European insurance group," with its new alliance with Aachener und Munchener Beteiligung, the number two German insurance group, in which AGF has a controlling 25 per cent.

This part of AMB's results will be consolidated into AGF accounts from this year.

AGF congratulated itself on the rise in profits in its international operations to FFr122m from FFr56m, largely achieved by more than halving the losses of its UK branch to FFr108m from FFr274m over the same period.

Pinault-Printemps widens its electric goods business

By David Buchan in Paris

PINAULT-PRINTEMPS, the French retail group, yesterday announced plans to develop its electric goods business by taking a majority stake in the privately-controlled Groupelec and putting it together with its publicly-quoted CDME subsidiary.

The resulting company is to be renamed Rexel, with a turnover of some FFr16.7bn ($3.09bn), 13,000 employees and 870 retail outlets. The Pinault group has been selling off some non-core businesses in order to reduce the debt it assumed in buying the Au Printemps department stores in 1991.

But seeing growth in the electrical goods sector, it has since built up its stake in Groupelec to 49 per cent, and yesterday it said it would raise this, first to 53.4 per cent and by the end of this year to 60 per cent. Pinault said a capital increase of FFr150m would be needed to allow the new company, Rexel, to buy Pinault's shares in Groupelec.

● Galeries Lafayette, another department store chain, has announced a steep fall in profits to FFr69m last year from FFr356m in 1991 but is keeping its dividend unchanged at FFr11 a share. It blamed its poor performance on the weakness of the French economy, as well as increased financial charges arising from its takeover of Galeries Nouvelles.

Accor records slide to FFr870m

By David Buchan

ACCOR, the French hotel, catering and tourism group, yesterday reported a 15.5 per cent decline in its net profit to FFr870m ($161m) last year, from FFr913m the previous year.

The company blamed part of the decline on the poor economic climate. Although 60 per cent of its business is now outside France, Accor executives have been among the relatively few French managers who have been quoted in the press as advocating an end to France's high exchange rate policy, for fear that it will deter tourists.

The other factor cited for Accor's profit drop was depreciation associated with its acquisition of Compagnie Internationale des Wagons-Lits et du Tourisme. This, however, doubled Accor's turnover last year to FFr30.56bn. The dividend is raised 12.5 per cent to FFr18 a share.

● Air France has confirmed that its losses last year deepened to FFr3.2bn from FFr685m the year before, on total turnover which decreased by 1.1 per cent over the same period.

The state-owned carrier blamed part of its poorer performance on the "morose" state of the French market in which it was facing new competition. But it also revealed that it had made a FFr723m provision to cover costs of pensions for ground personnel. Air France received in February a FFr1.5bn equity-linked cash injection from the Caisse des Depôts, the state-owned financial institution.

Audi to build engine plant in Hungary

AUDI, a division of Germany's Volkswagen group, said negotiations to build an engine plant in Hungary had been completed and a fully-owned subsidiary, Audi Hungaria Motor, had been founded, Reuter reports from Munich.

An agreement between Audi and Hungary's ministry for industry and trade, the finance ministry and the ministry for international relations has been reached.

The plant will be established at Gyoer, between Bratislava and Budapest, where Audi plans initially to build about 1,000 engine components daily starting in mid-1994 and employing 200 people. Constructing the plant calls for the investment of some DM300m ($188.1m).

Price squeeze pushes Nedlloyd into the red

By Ronald van de Krol in Amsterdam

A SQUEEZE on prices in international container shipping helped push Nedlloyd, the Dutch transport group, into the red last year, prompting the company to omit its dividend for the third successive year.

The loss of Fl 58m ($32m), which had been widely expected after the company's profit warning in November, was also caused by the absence of the large extraordinary gains on divestments that had flattered 1991 results, when net profit of Fl 145m was posted.

Nedlloyd said it could not make a forecast for 1993 results, but confirmed that it had made an unspecified loss in the first quarter.

Nedlloyd's two core businesses, international ocean-going shipping and land transport in Europe, had divergent fortunes last year. Operating results in shipping dwindled to just Fl 8.6m from Fl 58.4m the year before, as fierce competition and industry-wide overcapacity put pressure on cargo rates.

Nedlloyd aims to reduce its debts by another Fl 500m after cutting interest-bearing debt to Fl 1.93bn in 1992 from Fl 2.19bn in 1991. Other goals include reducing costs by Fl 250m a year from 1995 and eliminating 2,000 jobs out of a total of 23,500 over the next two years. Nedlloyd ultimately wants to see a 10 per cent return on invested capital, officials said.

Mondadori raises profits to L57.1bn

By Haig Simonian in Milan

MONDADORI, Italy's biggest publishing group which is majority-owned by Mr Silvio Berlusconi's Fininvest company, raised net group profits to L57.1bn ($37m) last year from L10.1bn in 1992.

The outcome, marking a further step in the gradual turnaround in Mondadori's fortunes after the battle for control between Mr Berlusconi and Mr Carlo De Benedetti in 1990-91, was accompanied by a 13.9 per cent climb in sales to L1,600bn.

Sales in the first quarter of this year have continued the upward trend, with a 9.9 per cent increase to L400bn.

Buoyed by the earnings upturn, the dividend is being raised to L200 for ordinary shares and L220 for savings shares. Last year, the payout was restricted to holders of savings stock, who received L120 a share.

Fininvest, which is considering a merger between Mondadori and its unquoted Silvio Berlusconi Editore publishing operation, currently controls almost 80 per cent of the ordinary shares and 90 per cent of the savings stock.

● Simint, the listed casual clothing group controlled by financier Mr Francesco Micheli and designer Mr Giorgio Armani, is making a rights issue of up to L60bn along with the issue of free new ordinary shares.

The transaction is designed to boost the group's investment in the US, where it is setting up a new chain of lower-priced clothing stores, called Armani Exchange (A/X), in conjunction with Mr Armani.

Shareholders will be given five new ordinary shares for every 26 ordinary or preference shares currently held. Moreover, they will be offered 21 new ordinary shares for every 26 ordinary or preference shares held, at a price of between L1,400 and L1,600 a share.

The rights issue will be based on shareholdings prior to the bonus issue.

Gyllenhammar motors on at Volvo

Hugh Carnegy reports on the chairman's performance at the AGM

MR PEHR Gyllenhammar, chairman of Swedish vehicle maker Volvo, threw out some notable concessions to small shareholders at yesterday's annual meeting in Gothenburg. But he offered little sign of retreat when it came to his own position at the loss-making company and the strategies he is pursuing.

Indeed, there were flashes of flamboyance from the man who has been the driving force at Volvo for 22 years. Arriving for a press conference before the shareholders' meeting, he cut a dashing figure in a felt fedora.

He cheekily told shareholders that the leaders of Aktiespararna, the Swedish shareholders' association which has pursued him recently, had themselves refused to reveal to their congress what remuneration they received – a revelation they were demanding of him.

Mr Gyllenhammar then went into detail about the pay and benefits Volvo has paid him and other senior executives. He announced the Volvo board was setting up an audit committee and a committee on management development and remuneration, in line with the UK Cadbury report on corporate governance. Aktiespararna has said the report should serve as a model for Swedish companies.

The Committee on the Financial Aspects of Corporate Governance, which prepared the so-called Cadbury report, concluded that the best practice was for executive directors' pay to be subject to the recommendations of a remuneration committee made up wholly or mainly of non-executive directors.

Also, there should be full and clear disclosure of directors' total executive pay, including pension contributions and stock options.

But Mr Gyllenhammar was less defensive on where Volvo is heading after a turbulent 1992.

The company posted record losses last year of SKr4.75bn ($610m) and announced the closure of two of its three Swedish plants, with the loss of 11,000 jobs.

Volvo sees some improvement in 1993, but is warning of continued harsh market conditions at home – where new car registrations are at levels similar to the 1940s – and in Europe.

The crisis at Volvo, Mr Gyllenhammar insisted, was "partly a myth". Acknowledging Sweden's decline as a competitive manufacturing base, he said: "It is more a crisis of Sweden than anything else and, because we have invested so much in our country, we have suffered. We have therefore been forced to a brutal adaptation to new realities."

He tackled head-on the two strategic questions troubling Volvo shareholders: the company's three-year-old alliance with Renault, the French car and truck maker; and what its plans are for Procordia, the Swedish food and drugs group in which Volvo, with 45 per cent of the voting rights, is the largest shareholder.

Volvo, Mr Gyllenhammar said, did not intend to retreat from either relationship. Both underpinned Volvo's stability and independence, he said, contributing strongly to profits. "If we were to sell our shares in Procordia, Volvo's net debt would be eliminated," he proclaimed.

He announced that he had held "constructive" new discussions with Mr Carl Bildt, the prime minister, about Procordia, in which the state holds a 40.4 per cent stake.

Last year, the government blocked Mr Gyllenhammar's attempt to merge Volvo and Procordia, baulking at handing over its prime privatisation asset to the country's biggest manufacturer. Since then, the issue has been in limbo.

Yesterday, Mr Gyllenhammar declined to say what the outcome would be. But he said the climate between Volvo and the government had changed and there was now a common view between them on achieving a solution that would give Procordia "the best possible conditions for a stable ownership base".

Mr Gyllenhammar acknowledged concern that Renault, which owns 10 per cent of Volvo group and 25 per cent of the car company, might swallow its partner. He said the two companies would become "ever more interwoven". But he insisted there was no alternative to the alliance.

"With the overcapacity in the automotive industry and with extremely tough competition, it is indispensable to have a big and reliable partner," he said.

There were few hints that, with his 58th birthday approaching next week, he was contemplating stepping down.

Bulls and bears size up Zeneca

Paul Abrahams assesses prospects for the new pharmaceuticals group

ZENECA'S record, and the prospectus published yesterday, contained just enough to establish a case for those bullish about the company. But they also contained plenty of material for bears.

The bulls' case – and that of the management – is summarised as follows. Zeneca has been stifled in the past by being part of a large organisation. Freed from the dead hand of bureaucracy at ICI's London headquarters, the group will be able to join the ranks of successful pharmaceuticals groups.

The management also stresses the good prospects for Zeneca's three divisions – pharmaceuticals, agrochemicals and seeds, and specialities.

In pharmaceuticals, Zeneca has already suffered the full brunt of the US patent expiry of Tenormin, its best-selling product.

The company has no significant patents liable to expire in the medium-term. Management argues Zeneca is as risk-free as a healthcare company can get.

Meanwhile, new products are growing fast. The drugs pipeline, according to Mr David Barnes, chief executive of Zeneca, is the group's most exciting ever in terms of numbers and quality.

Zeneca's management argues the stock market has overreacted to the dangers of the US health reforms.

S.G. Warburg, one of Zeneca's advisers, concludes that prospects are so bright that group operating profits could increase from £587m ($886.4m) last year to £965m by 1995.

However, the bears also have some arguments on their side. Admittedly, bears and bulls agree the specialities division should benefit from the pick-up in the US economy where about 42 per cent of business is located. But the pharmaceuticals and agrochemicals divisions face a rocky future.

The US drugs market, the world's largest, is changing rapidly. The change is being driven by managed healthcare organisations, bulk buyers of healthcare able to negotiate substantial discounts. As for Zeneca's much-vaunted drugs pipeline, most research and development directors outside the company are dismissive of its prospects.

Meanwhile, the agrochemicals industry, in which Zeneca slipped from number two to number three last year, is in turmoil. Ciba, the Swiss group and world's number one agrochemicals company, estimates the EC market fell 10 per cent year after the announcement of the EC's common agricultural policy reforms.

Mr Barnes sets off tomorrow for a tour of European and US institutions. He may face more sceptical questioning about the company and the industry than was likely when the split was suggested.

- **Working costs per kilogram**
  - decreased by 0,4% on previous quarter
  - decreased by 3,4% on quarter ended March 1992
- **Income after tax**
  - up 12% on previous quarter
  - up 14% on quarter ended March 1992

Gengold

- **Dividends**
  - Unisel 20 cents per share
  - Kinross 120 cents per stock unit
  - Bracken 40 cents per share
  - Leslie 20 cents per share
  - Winkelhaak 70 cents per share

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 MARCH 1993

All companies mentioned are incorporated in the Republic of South Africa

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

Lower yield offset by reduced working costs

Issued capital – 13 062 920 shares of 50 cents each.

	Quarter ended 31.3.93	Quarter ended 31.12.92
OPERATING RESULTS		
Ore milled – surface dumps (t)	282 000	296 000
Yield – surface dumps (g/t)	1,0	1,3
Gold produced (kg)	290	381
Working revenue (R/kg)	[illegible]	32 152
Working costs (R/kg)	30 658	31 727
(R/t milled)	31,52	40,84
Working income (R/kg)	[illegible]	425
Gold price received (R/kg)	[illegible]	32 152
($/oz)	[illegible]	342
FINANCIAL RESULTS (R'000)		
Working revenue	9 720	12 260
Working costs	8 890	10 414
Retrenchment costs	–	1 674
Working income	883	162
Sundry income – net	877	1 185
Tribute payments – net	75	(722)
Income before tax and lease	1 735	2 070
Tax and lease	–	–
Income after tax and lease	1 735	2 070
Capital recoupment	1 282	2 331
Dividend declared	–	3 919

REMARKS
- Dump grades are unpredictable and surface material will continue to be treated only for as long as this is viable.
- During the quarter 121 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 369 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33934/06

Multigold project to proceed

Issued capital – 11 000 000 ordinary shares of R1 each.
– 18 289 600 cumulative preference shares of R1 each.

	Quarter ended 31.3.93	Quarter ended 31.12.92	9 months ended 31.3.93
OPERATING RESULTS			
Gold			
Mined (m²)	105 733	99 449	298 964
Ore milled – underground (t)	445 000	429 000	[illegible]
– surface dumps (t)	88 000	99 000	289 000
– total (t)	[illegible]	528 000	1 688 000
Yield – underground (g/t)	7,5	7,5	7,5
– surface dumps (g/t)	0,9	0,8	1,0
– combined (g/t)	6,4	6,3	6,3
Gold produced (kg)	3 403	3 310	10 015
Working revenue (R/kg)	[illegible]	32 290	32 345
Working costs (R/kg)	28 946	29 036	28 878
(R/t milled)	184,80	182,02	182,12
Working income (R/kg)	[illegible]	3 254	3 467
Gold price received (R/kg)	33 126	[illegible]	32 296
($/oz)	330	341	340
FINANCIAL RESULTS (R'000)			
Gold – Working revenue	113 228	[illegible]	[illegible]
– Working costs	96 441	94 828	288 872
– Retrenchment costs	2 058	1 280	3 338
– Working income	14 729	10 771	34 724
Uranium – Working income/(loss)	279	(83)	1 038
Sundry income – net	3 240	2 557	8 579
Tribute payments – net	922	1 531	3 608
Income before tax and lease	17 330	11 744	40 733
Tax and lease	5 719	3 781	11 953
Share of income – Beatrix mine	[illegible]	[illegible]	3 618
Income after tax and lease	12 940	[illegible]	32 398
Capital expenditure	280	582	1 099
Dividends declared – ordinary shares	–	16 500	16 500
– preference shares	7 000	7 000	19 000
DEVELOPMENT – Vaal Reef & "C" Reef			
Advanced (m)	3 874	4 082	11 840
Advanced on reef (m)	480	461	[illegible]
Sampled (m)	478	450	1 328
Channel width (cm)	70	86	87
Average value – gold (g/t)	26,4	24,1	23,2
– (cm.g/t)	1 850	1 944	1 872

REMARKS
- Capital expenditure of R74,83 million has been approved for the treatment of the surface dump at Pioneer Shaft. (Multigold Project)
- Estimated capital expenditure for the next six months – R16 million.
- During the quarter 1 283 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 5 805 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.

KINROSS Mines Limited

Company Registration No. 63/05226/06

Working costs well contained

Issued capital – 18 000 000 stock units of R1 each.

	Quarter ended 31.3.93	Quarter ended 31.12.92	6 months ended 31.3.93
OPERATING RESULTS			
Mined (m²)	101 885	[illegible]	206 081
Ore milled (t)	475 000	482 000	957 000
Yield (g/t)	6,7	6,7	6,7
Gold produced (kg)	3 183	3 230	[illegible]
Working revenue (R/kg)	[illegible]	32 378	[illegible]
Working costs (R/kg)	24 752	24 276	24 512
(R/t milled)	165,87	162,67	164,26
Working income (R/kg)	8 254	8 101	8 176
Gold price received (R/kg)	32 731	32 310	32 519
($/oz)	[illegible]	345	[illegible]
FINANCIAL RESULTS (R'000)			
Working revenue	105 058	104 573	[illegible]
Working costs	78 787	78 407	157 194
Working income	26 271	26 166	52 437
Sundry income – net	3 415	[illegible]	6 074
Tribute and royalty payments – net	(199)	145	(54)
Income before tax and lease	29 885	28 880	58 565
Tax and lease	11 187	9 372	20 559
Income after tax and lease	18 698	19 308	38 006
Capital expenditure	6 171	[illegible]	14 687
Dividend declared	21 600	–	21 600
DEVELOPMENT – Kimberley Reef			
Advanced (m)	5 061	[illegible]	10 045
Advanced on reef (m)	1 444	981	2 425
Sampled (m)	1 455	986	2 441
Channel width (cm)	42,0	46,0	44
Average value – gold (g/t)	21,0	22,8	21,8
– (cm.g/t)	877	1 049	947

REMARKS
- Estimated capital expenditure for the next six months – R16 million.
- During the quarter 1 185 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 4 303 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.
- Interim dividend No. 50 of 120 cents per stock unit was declared.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Improved performance sustained

Issued capital – 16 000 000 shares of 65 cents each.

	Quarter ended 31.3.93	Quarter ended 31.12.92	6 months ended 31.3.93
OPERATING RESULTS			
Mined (m²)	30 519	[illegible]	58 475
Ore milled (t)	100 200	96 100	196 300
Yield (g/t)	6,6	6,7	6,7
Gold produced (kg)	660	661	1 321
Working revenue (R/kg)	33 188	32 419	32 802
Working costs (R/kg)	[illegible]	26 546	26 562
(R/t milled)	175,07	178,87	176,95
Working income (R/kg)	[illegible]	5 873	[illegible]
Gold price received (R/kg)	33 034	32 403	32 719
($/oz)	330	342	336
FINANCIAL RESULTS (R'000)			
Working revenue	21 903	21 429	43 332
Working costs	17 522	17 547	[illegible]
Retrenchment costs	20	–	20
Working income	4 361	[illegible]	8 243
Tribute and royalty payments – net	6	84	90
Sundry income – net	589	[illegible]	1 041
Income before tax and lease	[illegible]	4 250	[illegible]
Tax and lease	1 870	1 822	3 692
Income after tax and lease	[illegible]	[illegible]	[illegible]
Capital expenditure	563	372	935
Dividend declared	3 200	–	[illegible]
DEVELOPMENT – Kimberley Reef			
Advanced (m)	1 101	1 528	[illegible]
Advanced on reef (m)	807	325	832
Sampled (m)	504	324	828
Channel width (cm)	43	37	41
Average value – gold (g/t)	20	24	21
– (cm.g/t)	852	892	868

REMARKS
- Estimated capital expenditure for the next six months – R2 million.
- During the quarter 221 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 830 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.
- Interim dividend No. 57 of 20 cents per share was declared.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

Focus on working cost control

Issued capital – 11 438 816 stock units of 25 cents each.

	Quarter ended 31.3.93	Quarter ended 31.12.92
OPERATING RESULTS		
Mined (m²)	29 806	27 578
Ore milled (t)	112 000	111 000
Yield (g/t)	5,8	5,8
Gold produced (kg)	645	647
Working revenue (R/kg)	33 102	32 386
Working costs (R/kg)	30 251	29 983
(R/t milled)	174,21	174,77
Working income (R/kg)	[illegible]	2 403
Gold price received (R/kg)	32 987	32 370
($/oz)	[illegible]	343
FINANCIAL RESULTS (R'000)		
Working revenue	21 351	20 954
Working costs	19 512	19 399
Working income	[illegible]	1 555
Sundry income – net	1 281	1 385
Tribute payments – net	147	[illegible]
Income before tax and lease	[illegible]	1 731
Tax and lease	1 192	471
Income after tax and lease	1 781	1 260
Capital expenditure	90	222
Dividend declared	–	[illegible]

DEVELOPMENT	Quarter ended 31.3.93 Black Reef	Quarter ended 31.3.93 Kimberley Reef	Quarter ended 31.12.92 Black Reef	Quarter ended 31.12.92 Kimberley Reef
Advanced (m)	[illegible]	[illegible]	434	1 247
Advanced on reef (m)	205	889	285	895
Sampled (m)	188	805	287	876
Channel width (cm)	79	13	84	11
Average value – gold (g/t)	22,1	36,1	15,3	38,4
– (cm.g/t)	1 741	478	1 283	444

REMARKS
- Estimated capital expenditure for the next six months – R2 million.
- During the quarter 238 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 905 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Exemplary cost control

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

	Quarter ended 31.3.93	Quarter ended 31.12.92	9 months ended 31.3.93
OPERATING RESULTS			
Mined (m²)	119 042	125 204	366 487
Ore milled (t)	525 000	518 000	[illegible]
Yield (g/t)	6,1	6,1	6,1
Gold produced (kg)	[illegible]	3 152	[illegible]
Working revenue (R/kg)	32 124	32 386	32 267
Working costs (R/kg)	22 171	[illegible]	22 611
(R/t milled)	135,14	136,36	137,21
Working income (R/kg)	[illegible]	10 040	9 656
Gold price received (R/kg)	33 002	32 366	32 215
($/oz)	331	342	341
FINANCIAL RESULTS (R'000)			
Working revenue	[illegible]	102 018	305 056
Working costs	70 540	69 116	211 916
Retrenchment costs	406	1 258	[illegible]
Working income	35 051	[illegible]	91 287
Sundry income – net	1 776	1 731	[illegible]
Royalty payment – Beatrix Mines Limited	15 899	15 303	45 758
Income before tax and lease	[illegible]	18 073	50 632
Tax and lease	[illegible]	5 328	[illegible]
Income after tax	10 961	12 745	31 636
Capital appropriation	1 444	1 817	5 040
Dividends on preference shares	7 000	7 000	19 000
DEVELOPMENT – Beatrix Reef			
Advanced (m)	8 481	[illegible]	26 554
Advanced on reef (m)	2 518	[illegible]	[illegible]
Sampled (m)	[illegible]	1 997	[illegible]
Channel width (cm)	46	58	56
Average value – gold (g/t)	18,8	18,3	17,6
– (cm.g/t)	864	1 062	980

REMARKS
- Estimated capital expenditure for the next six months – R8 million.
- During the quarter 1 199 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 4 430 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Higher profit level maintained

Issued capital – 28 000 000 shares of no-par value.

	Quarter ended 31.3.93	Quarter ended 31.12.92	6 months ended 31.3.93
OPERATING RESULTS			
Mined (m²)	35 745	46 283	82 028
Ore milled (t)	225 000	[illegible]	460 000
Yield (g/t)	6,4	6,1	6,3
Gold produced (kg)	[illegible]	1 434	2 884
Working revenue (R/kg)	32 907	32 508	32 707
Working costs (R/kg)	26 248	27 108	26 675
(R/t milled)	169,15	165,42	164,65
Working income (R/kg)	[illegible]	5 398	6 032
Gold price received (R/kg)	[illegible]	32 506	32 658
($/oz)	[illegible]	344	[illegible]
FINANCIAL RESULTS (R'000)			
Working revenue	47 715	46 613	94 328
Working costs	38 059	37 680	[illegible]
Retrenchment costs	–	1 193	[illegible]
Working income	[illegible]	7 740	17 398
Sundry income – net	1 076	518	[illegible]
Milling fee and royalty payments	1 484	1 473	2 957
Income before tax and lease	9 248	[illegible]	16 033
Tax and lease	3 467	990	4 487
Income after tax and lease	5 781	5 795	[illegible]
Capital expenditure	858	1 722	[illegible]
Dividend declared	5 600	–	5 600

DEVELOPMENT	Quarter ended 31.3.93 Basal Reef	Middle Reef	Leader Reef	Quarter ended 31.12.92 Basal Reef	Middle Reef	Leader Reef	6 months ended 31.3.93 Basal Reef	Middle Reef	Leader Reef
Advanced (m)	2 708	67	[illegible]	3 319	32	170	6 027	99	356
Advanced on reef (m)	437	25	[illegible]	489	32	133	926	57	285
Sampled (m)	354	22	177	416	26	91	770	48	268
Channel width (cm)	106	118	[illegible]	85	137	186	94	126	193
Average value – gold (g/t)	7,4	5,2	2,5	8,5	15,1	2,4	8,0	10,8	2,4
– (cm.g/t)	788	615	477	725	2 062	461	754	[illegible]	471

REMARKS
- Planned production levels are being revised in the light of continued low values exposed in Basal Reef development.
- Estimated capital expenditure for the next six months – R6 million.
- During the quarter 520 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 1 946 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.
- Interim dividend No. 26 of 20 cents per share was declared.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Rationalisation completed

Issued capital – 9 625 000 ordinary shares of R1 each.
– 3 825 035 'A' cumulative preference shares of R1 each.
– 3 825 035 'B' cumulative preference shares of R1 each.
– 2 468 000 'C' cumulative preference shares of R1 each.

	Quarter ended 31.3.93	Quarter ended 31.12.92
OPERATING RESULTS		
Mined (m²)	23 972	[illegible]
Ore milled (t)	148 000	168 000
Yield (g/t)	7,3	6,9
Gold produced (kg)	1 085	1 157
Working revenue (R/kg)	[illegible]	32 184
Working costs (R/kg)	32 302	[illegible]
(R/t milled)	236,81	257,89
Working income/(loss) (R/kg)	767	(5 262)
Gold price received (R/kg)	[illegible]	32 184
($/oz)	335	345
FINANCIAL RESULTS (R'000)		
Working revenue	35 880	37 237
Working costs	34 928	34 737
Retrenchment costs	170	8 588
Working income/(loss)	832	(6 088)
Sundry income – net	6 708	3 630
Income /(loss) before tax and lease	7 540	(2 458)
Tax and lease	2 885	951
Income /(loss) after tax and lease	4 655	(3 409)
Capital expenditure	826	89
Dividend declared – ordinary shares	–	1 925

DEVELOPMENT	Quarter ended 31.3.93 Basal Reef	Quarter ended 31.3.93 Leader Reef	Quarter ended 31.12.92 Basal Reef	Quarter ended 31.12.92 Leader Reef
Advanced (m)	[illegible]	16	[illegible]	25
Advanced on reef (m)	86	16	249	–
Sampled (m)	84	16	276	5
Channel width (cm)	138	221	166	233
Average value – gold (g/t)	15,9	1,2	5,9	1,8
– (cm.g/t)	2 194	267	975	421

REMARKS
- Estimated capital expenditure for the next six months – R1 million.
- During the quarter 424 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 2 388 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.
- Treatment of slimes by Free State Consolidated Gold Mines (Operations) Limited, yielded a profit of R3,5 million for the quarter.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Shaft equipped and commissioned

	Quarter ended 31.3.93	Quarter ended 31.12.92
OPERATING RESULTS		
Ore milled (t)	59 000	47 000
Gold produced (kg)	108	68
FINANCIAL RESULTS (R'000)		
Net income before tax and lease	277	115
Capital expenditure	87 459	79 605

REMARKS
The main sub-vertical shaft was equipped and commissioned during the quarter.

WINKELHAAK Mines Limited

Company Registration No. 55/03605/06

Gold output maintained

Issued capital – 12 180 000 shares of R1 each.

	Quarter ended 31.3.93	Quarter ended 31.12.92	6 months ended 31.3.93
OPERATING RESULTS			
Mined (m²)	109 002	111 506	220 508
Ore milled (t)	453 000	[illegible]	916 000
Yield (g/t)	6,7	6,5	6,6
Gold produced (kg)	3 020	3 010	6 030
Working revenue (R/kg)	[illegible]	32 172	32 674
Working costs (R/kg)	28 384	28 006	28 195
(R/t milled)	189,23	[illegible]	185,61
Working income (R/kg)	[illegible]	[illegible]	[illegible]
Gold price received (R/kg)	32 969	32 171	32 571
($/oz)	332	341	336
FINANCIAL RESULTS (R'000)			
Working revenue	100 184	96 839	[illegible]
Working costs	84 219	84 297	[illegible]
Retrenchment costs	1 500	–	[illegible]
Working income	[illegible]	12 542	27 007
Sundry income – net	[illegible]	1 830	[illegible]
Tribute and royalty payments – net	[illegible]	–	28
Income before tax and lease	16 827	14 372	31 199
Tax and lease	1 093	879	1 972
Income after tax and lease	15 734	13 493	[illegible]
Capital appropriation	10 393	7 926	18 319
Dividend declared	8 526	–	8 526
DEVELOPMENT – Kimberley Reef			
Advanced (m)	6 538	7 220	13 758
Advanced on reef (m)	1 912	2 118	4 030
Sampled (m)	1 919	2 121	4 040
Channel width (cm)	112	117	114
Average value – gold (g/t)	11,1	11,6	11,4
– (cm.g/t)	[illegible]	1 346	1 294

REMARKS
- Estimated capital expenditure for the next six months – R18 million.
- During the quarter 547 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 4 384 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.
- Interim dividend No. 64 of 70 cents per share was declared.

BRACKEN Mines Limited

Company Registration No. 59/01126/06

Mine closure on schedule

Issued capital – 14 000 000 shares of 90 cents each.

	Quarter ended 31.3.93	Quarter ended 31.12.92	6 months ended 31.3.93
OPERATING RESULTS			
Mined (m²)	2 094	[illegible]	[illegible]
Ore milled (t)	6 088	19 500	[illegible]
Yield (g/t)	[illegible]	24,5	27,2
Gold produced (kg)	220	[illegible]	697
Working revenue (R/kg)	33 827	[illegible]	32 943
Working costs (R/kg)	[illegible]	16 140	18 297
(R/t milled)	830,16	394,62	[illegible]
Working income (R/kg)	10 854	[illegible]	14 646
Gold price received (R/kg)	32 940	[illegible]	32 556
($/oz)	330	341	338
FINANCIAL RESULTS (R'000)			
Working revenue	[illegible]	[illegible]	22 961
Working costs	4 464	[illegible]	10 742
Retrenchment costs	590	1 421	2 011
Working income	2 388	[illegible]	10 208
Sundry income – net	1 304	[illegible]	2 395
Tribute and royalty payments – net	23	81	104
Income before tax and lease	3 669	8 830	12 499
Tax and lease	2 369	6 751	9 120
Income after tax and lease	1 300	2 079	3 379
Capital recoupment	10	2 114	2 124
Dividend declared	5 600	–	5 600

REMARKS
- During the quarter 51 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 233 per kilogram. As of 31 March 1993 – 109 kilograms were hedged at an average price of R34 859 per kilogram. This position is managed on an ongoing basis.
- Interim dividend No. 61 of 40 cents per share was declared.

NOTES

1. On 21 April 1993 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 7 May 1993.

   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 4 June 1993, or the first day thereafter on which a rate of exchange is available.

   Dividend warrants will be posted on 18 June 1993.

   In the case of non-resident shareholders, the applicable taxation will be deducted.

   The full conditions of payment may be inspected at or obtained from the registered office.

2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.

3. All financial figures are unaudited.

By order of the respective boards
General Mining, Metals and Minerals Limited
Secretaries
per: D J D Ross
Manager: Administration and Secretarial Services

Johannesburg, 21 April 1993

Transfer offices
South Africa:
Central Registrars Limited
154 Market Street, Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom:
Barclays Registrars
Bourne House
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Registered and head office
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GENMIN GROUP

Copies available from London Office

INTERNATIONAL COMPANIES AND FINANCE

Income increases 12.8% at AT&T

By Martin Dickson in New York

AMERICAN Telephone & Telegraph, the US telecommunications and computer group, yesterday unveiled a 12.8 per cent increase in first-quarter income, excluding changes in accounting methods which led to a net loss of $5.6bn.

Mr Robert Allen, chairman, said that, excluding the accounting changes, the results augured well for the rest of the year.

Mr Alex Mandl, chief financial officer, said the group's target of at least 10 per cent annual growth in earnings was on a "sound footing".

The company reported net income of $996m, or 74 cents a share, compared with $883m, or 67 cents, in the same period of last year. This became a net loss of $5.6bn, or $4.19, after a $7.02bn charge for changes in accounting for retiree health benefits and a $383m gain for changes in tax accounting methods.

All US companies are implementing these changes and AT&T's charge, which does not affect cash-flow, had already been announced.

Revenues rose 2.2 per cent to $15.72bn, "driven by growth in financial and long-distance services and sales of network communications products and micro-electronic components".

In the long-distance telecommunications market, AT&T's first-quarter calling volume rose 5 per cent, year-on-year, while revenues rose $94m, or 1 per cent. Long-distance margins rose to 37 per cent, up 2 percentage points from a year ago.

Equipment sales rose 2.9 per cent, helped by increased in network communications products and microelectronic components. Revenues from communications products and systems, which include business phone systems and consumer products, were roughly the same as a year ago.

However, NCR, the computer company acquired by AT&T nearly two years ago, saw revenues drop to $1.48bn from $1.53bn a year ago, which the company blamed on weak demand in Europe and Asia/Pacific and general industry softness.

The subsidiary had an operating loss of $20m, after a $50m restructuring charge, against a $46m profit. Mr Mandl said the charge was designed to reduce NCR's cost structure in the US and Europe, and this action, with an improving order book, suggested the 1993 results would be better than last year.

Group operating expenses in the quarter rose 3.3 per cent, or $146m, mainly because of higher spending on advertising and sales support in the long-distance market, where AT&T faces a marketing war.

Bob Crandall: progress on cost-cutting front

Domestic fare cuts take toll at AMR

By Nikki Tait in New York

AMR, the parent company of American Airlines, yesterday reported a $22m loss after tax for the first three months of 1993.

This compares with just $8m profit which the company – one of the "big three" US airline operators – made in the same period of 1992, ahead of accounting-related charges.

However, Mr Bob Crandall, AMR's chairman, described the results as "better than expected". He said the company remained disappointed at the state of domestic airline yields, but was "encouraged" by the progress being made on the cost-cutting front.

Revenues during the first quarter were up by 8.8 per cent on the same period of 1992, at $3.81bn, while operating expenses increased by 9 per cent to $3.7bn.

The break-even load factor was nudged down from 56.4 per cent to 56.2 per cent.

Mr Crandall blamed the domestic yield situation on "the continuing proliferation of discount fares of every type".

He said international yields had been hit by the recession in many countries, by unfavourable currency movements in Europe, and by competitors' fare reductions.

The first-quarter loss translates into a deficit of 43 cents per share, compared with a 10 cents surplus a year ago (before the accounting-related charges).

Amoco records earnings of $229m in first quarter

By Alan Friedman in New York

AMOCO, the Chicago-based energy company, yesterday reported a net profit of $229m, or 46 cents per share, for the first quarter of 1993, which compares with a loss of $619m, or $1.25 per share, in the year-ago quarter.

At the operating level, Amoco earned $343m, or 69 cents, in the first quarter of 1993, but this excluded $170m of write-downs from exploration in the Congo and tax benefits of $56m derived from asset disposals.

The comparable 1992 operating figure was $257m, or 52 cents, before $924m of charges resulting from accounting changes and tax benefits of $48m.

Amoco's first-quarter revenues were $6.978bn, up slightly from $56.389bn a year ago.

Mr Laurance Fuller, Amoco chairman, said that, exclusive of the special items, the company's earnings benefited from cost-reduction efforts.

He said US exploration and production operations also improved, reflecting higher natural gas and crude oil prices and higher gas volumes.

Worldwide capital and exploration spending in the quarter declined to $597m from $634m in the first quarter of last year.

The company is planning to spend $1.5bn to develop a large oilfield in the South China Sea, in an area 120 miles south-east of Hong Kong.

● Schlumberger, the energy industry services group, yesterday unveiled a net loss of $114.8m in the first quarter of 1993, compared with a net profit of $156.3m a year ago.

The company said the loss was caused by a $248m extraordinary debit resulting from the adoption of new accounting standards.

Excluding the special charge Schlumberger would have had profits of $133.2m, down by 15 per cent year-on-year.

Revenues in the 1993 quarter were $1.62bn, up slightly from $1.59bn a year ago.

Nucor plans to expand capacity

By Martin Dickson

NUCOR, the leading US steel mini-mill group, is to greatly expand capacity at a plant in Crawfordsville, Indiana, which has shaken up the industry by its use of a radical, new technology.

The company is to expand the plant's annual capacity from 1m tons a year to 1.8m tons.

The expansion would cost less than $40m, would increase the number of employees by only 10 per cent, and would be in operation by the second quarter of 1994.

The company pioneered the thin-slab casting method of making sheet steel at the Crawfordsville plant, which began operations in 1989.

This makes sheet steel much more cheaply than conventional methods, since it cuts out several stages of the manufacturing process.

Last year Nucor opened a second thin-slab plant in Hickman, Arkansas, with an annual capacity of over 1m tons.

Until Crawfordsville began operations, the high-value sheet market had been one of the few sectors of the US steel market in which the country's traditional, integrated manufacturers had been free from competition from low-cost mini-mills.

However, its lead is being followed by other mini-mill groups and the integrated manufacturers themselves.

Bristol-Myers Squibb disappoints

By Karen Zagor in New York

BRISTOL-Myers Squibb, one of the world's biggest drugs companies, yesterday disappointed Wall Street with its first quarter earnings of $574.7m, or $1.11 a share.

On the New York Stock Exchange shares in Bristol-Myers eased $1¼ to $60¾ in early trading. Analysts had expected the company to earn about $1.13 a share in the 1993 quarter.

A year earlier, Bristol-Myers turned in net income of $301.5m, or 59 cents.

Stripping out the impact of accounting changes and earnings from discontinued operations, the company earned $534.2m, or $1.06, last year. Sales rose 4 per cent in the latest quarter to $2.76bn from $2.64bn.

Bristol-Myers's 8 per cent improvement in underlying first-quarter earnings contrasts with a 10 per cent rise in underlying profits from Merck and Pfizer's 25 per cent leap in underlying earnings from ongoing operations in the same period.

Bristol-Myers, which was one of the first big drugs companies to cut its workforce in response to increasing industry competition, has fallen from favour among many analysts after its disappointing performance in 1992.

In January, Wertheim Schroder analyst Mr Jonathan Gelles warned that Bristol-Myers's most important drugs had peaked in use and its new products lacked a competitive edge.

Smith Corona reports sharp fall

By Karen Zagor

SMITH Corona, the US maker of portable typewriters which is 48 per cent owned by Britain's Hanson group, yesterday unveiled third-quarter net earnings of $800,000, or 3 cents a share, down from $4.9m, or 16 cents, a year ago.

In the 1993 quarter, Smith Corona had restructuring charges of $800,000. Sales in the three months fell to $76.8m from $86.5m.

Mr Lee Thompson, chairman and chief executive, said total unit sales fell in the third quarter in spite of increased shipments of personal word processors.

For the first nine months, Smith Corona recorded a net loss of $300,000, or 1 cent a share, against net earnings of $16m, or 53 cents, the previous year. Sales slid to $244.8m from $285.4m. The company had restructuring charges of $10.3m in the 1993 period.

The company said it was in discussions on a new revolving credit facility which it expected to be in place before the current agreement expires in October.

"Our balance sheet remains strong and out new agreement will provide us with the requisite working capital financing for the foreseeable future," Mr Thompson said.

Canadian newsprint groups ahead

By Robert Gibbens in Montreal

TWO large eastern Canada newsprint companies with combined annual capacity of nearly 1.5m tonnes have posted improved first-quarter results, signalling an end to the three-year slump which has hit the industry.

Donohue, controlled by Quebecor publishing and printing group, reported profits of C$6.3m, or 18 cents a share, against a loss of C$8.3m, or 26 cents, a year earlier, on sales ahead at C$135m, against C$114m. Quno reduced its loss to C$4.3m, or 30 cents a share, from one of C$15.7m a year earlier, on sales of C$127m, against C$106m. The Chicago Tribune is still the biggest single shareholder and customer.

Both Canadian companies cited higher prices for newsprint and strong demand from the eastern US, higher timber prices, lower interest rates and a lower Canadian dollar.

Donohue, a low-cost producer of kraft pulp as well as newsprint, is seeking to diversify into higher value added products and is considering a move into the US.

US insurer in $800m placement

By Nikki Tait

THE EQUITABLE, the large US life insurer which recently "demutualised" as part of an effort to bolster its capital base, yesterday announced it had completed an $800m private placement of depositary shares. Almost half the new investment came from Axa, the French insurer.

The new depositary shares represent underlying cumulative convertible prefered stock.

The stock carries a 6 per cent annual dividend and is convertible after July 22 1994 into about 32.7m shares of Equitable common stock, at a conversion price of $24.50 a share.

Axa had invested $1bn into The Equitable ahead of the demutualisation. This, in turn, bought the French company a 49 per cent interest in the US insurer, when the demutualisation plan and an associated stockmarket flotation of Equitable shares was completed.

Axa's subscription in The Equitable's latest capital-raising exercise means it maintains its underlying interest in the US company. The remaining depository shares were purchased by unnamed institutional investors.

The Equitable said yesterday that "a significant portion" of the placement proceeds would be used to increase the capital of group's life insurance subsidiaries. This would be achieved through direct capital contributions and the possible purchase of the capital stocks of Equitable Real Estate Investment Management, a subsidiary of the group.

"Additional actions to increase the capital of the insurance subsidiaries may also include asset securitisation of certain investment assets," it said.

Underlying improvement lifts Whirlpool to $58m

By Nikki Tait

WHIRLPOOL, the world's biggest maker of large home appliances, yesterday reported an underlying improvement in first-quarter profits, at $58m, up from $35m in the same period of 1992.

However, two charges meant that the bottom-line figure for the Michigan-based group showed a $162m loss after tax in the most recent three months.

One of these was a $180m item, related to accounting rule changes; the second was a $40m charge to adjust the value of certain accounts held by Whirlpool Financial Corporation.

Whirlpool had warned the stock market of the $40m item.

Whirlpool's first-quarter sales rose by 5 per cent to $1.81bn, and Mr David Whitwam, chairman, described operating performance as "excellent".

The company said shipments in the North American market outpaced the industry average of about 3 per cent, and operating profits grew even more substantially.

In Europe, shipments rose only slightly, but margins increased. In Latin America and Asia, there was a "marked" advance in both shipments and revenues.

The Brazilian affiliates also swung into profit, having suffered losses a year ago.

Profits increase to $141m at Colgate

COLGATE-Palmolive, the US consumer products company, saw profits increase from $113.8m to $140.8m in the first quarter of 1993, before charges related to changes in accounting rules, writes Nikki Tait.

Sales were up from $1.6bn to $1.7bn, and earnings per share (again before accounting-related charges) rose from 74 cents to 85 cents.

Mr Reuben Mark, Colgate's chairman, said that strong sales increases in Latin America, Asia and in the Hill's Pet Nutrition division offset "the effects of economic softness" in the US, and the less favourable currency exchange rates in Europe.

NEWS IN BRIEF

Pfizer posts 25% rise in first period

PFIZER, one of the fastest-growing US drugs companies, posted a 25 per cent rise in first-quarter underlying earnings from continuing operations, writes Karen Zagor.

Net income for the 1993 first quarter was $329m, or $1.01 a share, on sales of $1.87bn, compared with earnings of $14.8m, or 4 cents, on sales of $1.76bn, a year earlier. Accounting changes reduced 1992 earnings by $312.6m.

Pfizer has divested and closed businesses and took restructuring charges in both years.

Excluding unusual items, Pfizer said net income from ongoing operations was $350.3m, or $1.07, on sales of $1.86bn in the latest quarter against earnings of $279.8m, or 83 cents, on sales of $1.63bn a year earlier.

Mr William Steere, chairman and chief executive, said: "Virtually all our sales growth was from increased volume."

Honeywell advances

HONEYWELL, the US controls group, reported first-quarter net income of $57.3m, or 42 cents a share, against $48.4m, or 36 cents, on a comparable basis in the same period of last year, writes Martin Dickson.

Sales totalled $1.44bn, down from $1.48bn, with declines in space and aviation partly offset by gains on the industrial side.

Deficit for Polaroid

POLAROID, the US photography group, suffered a first-quarter net loss of $122.8m, or $2.63 a share, including an after-tax charge of $125.7m for accounting changes, writes Karen Zagor.

A year earlier, it earned $6.2m, or 13 cents. Sales rose to $468.4m in the latest quarter from $236m.

Estimated net income, excluding special items, was $2.9m, or 6 cents, in the 1993 quarter.

Polaroid expects start-up costs for new product to affect its operating results this year.

Macy chief to resign

R. H. Macy, the New York-based US department store chain which filed for Chapter 11 bankruptcy protection in 1992, has announced the planned resignation of Mr Mark Handler as co-chairman and co-chief executive effective from August 1, writes Karen Zagor.

Mr Handler will remain an executive at Macy's and will keep his seat on the board. Mr Myron Ullman will be sole chairman and chief executive.

INTERNATIONAL COMPANIES AND FINANCE

IBM's German unit records its first annual loss

By Judy Dempsey in Berlin

IBM Deutschland yesterday recorded its first annual loss as a result of recession, weak prices and restructuring.

The company recorded a net loss of DM443m ($277m) for 1992. The costs of restructuring the company, which entailed dividing IBM Deutschland into several independent companies *under the umbrella* of the holding company, as well as reducing the workforce, totalled DM892m.

Mr Hans-Olaf Henkel, chairman, said the company managed *to achieve an operating profit of DM272m*. However, "we made a decision to place a burden on our financial balance in order to ensure a healthier future", he said.

A programme to reduce the workforce was introduced last year: by the *end of* 1992, full-time employees had been reduced to from 31,536 to 24,651. The *introduction of* a flexible retirement scheme and compensation is intended to *reduce the workforce by a fur*ther 3,500 by the end of this year.

IBM *senior officials said the* pressure to cut costs stemmed not only from the fundamental *management changes being* undertaken in the parent company in the US. "We now have to cope with a recession in Germany, which has come late, and has hit us hard," said Mr Wilfried Daudt, financial controller of IBM Deutschland.

Total revenue fell by 6.8 per cent to DM13.8bn in 1992. Over the same period, domestic revenue fell by 7.8 per cent to DM9.5bn. Export revenue fell 4.8 per cent to DM4.3bn.

However, total revenue from services showed a small increase, from DM3.8bn to DM3.9bn. Software and services now account for 41 per cent of total domestic revenue.

IBM Deutschland believes it *was* lulled into a sense of false confidence once the Berlin Wall was removed in November 1989. "With unification we had a boom. Large western German companies were ordering *from us. Investment* in eastern Germany was high on the agenda of the business *community in western Ger*many," said a senior IBM official.

"The slowdown started last June. Western German companies are cutting back their *investment plans in eastern* Germany and looking at costs. Some are even taking other *systems."*

Shangri-La looks to China

By Kieran Cooke in Kuala Lumpur

THE Shangri-La hotel group, one of the largest hotel groups in Asia, plans to list its Shangri-La Asia company on the Hong Kong stock market later this year to raise funds for projects in *China*.

The Shangri-La group is ultimately controlled by Mr Robert Kuok, a *Malaysian* Chinese *businessman who made his ini*tial fortune in the commodities trade and is known as Asia's "*Sugar King*".

Mr Kuok is believed to have interests in several hotels in China and *last month pur*chased a 510-room hotel in Xian in central China. It is understood *that Shangri-La* Asia will be used to buy Hong Kong and China hotels from *Mr Kuok*.

Channel tunnel contractor claims $360m

By Robert Gibbens in Montreal

BOMBARDIER, the international aerospace and transit equipment *group*, has lodged a C$450m (US$360m) claim with the prime contractor in the Channel *tunnel project*, which is to link Britain and France, to cover the cost of late design changes to 250 shuttle wagons it is building.

The prime contractor, Trans-Manche Link, comprising a group of construction companies, awarded Bombardier the C$700m shuttle contract order three years ago. The equipment is being built by Bombardier's Eurorail unit in Europe.

TML *itself* is in dispute with Eurotunnel, the Channel tunnel owner, over cost over-runs.

Bombardier halted output of wagons at Eurorail's Bruges plant in Belgium nearly two months ago, saying it could not deliver because TML had not provided certification for the first 10 prototypes.

Bombardier's claim is nearly *twice industry estimates. Mr* Laurent Baudoin, chairman, said the claim would be subject to *arbitration*.

In the year ended last January, Bombardier earned *C4132.8m, or 85 cents a share*. This was up 23 per cent from C$107.7m, or 73 cents, a year earlier. Revenues advanced *to* C$4.4bn, against C$3.1bn.

The revenue increase partly *reflected an acquisition*. All parts of the business did better except transit equipment *which posted a loss of C$73m* before tax.

Fourth-quarter earnings were *C$42.1m, or 27 cents*, against C$37m, or 24 cents, a year earlier.

● *Talisman Energy, formerly* BP Canada, had first-quarter earnings of C$7.9m, or 16 *cents a share, against* $2m, or 4 cents, a year earlier. Revenues were $63m, against *$53.5m*.

Parmalat exercises its appetite for acquisition

Haig Simonian reports on how an Italian dairy products company is expanding

PARMALAT, the dairy products group burdened by heavy debts and troublesome diversification in the 1980s, could become Italy's biggest listed foods concern of the 1990s. No Italian foods operation offers the same ingredients.

Barilla, the big pasta and biscuits maker, is privately-*owned; SME, the state-con*trolled foods, caterer and retailer, is being dismembered; Eridania, the Ferruzzi-controlled sugar group, has been merged with Ferruzzi's Paris-based Beghin Say; while Buitoni is owned by Nestle of Switzerland.

Swelled by acquisitions, group sales surged 23 per cent to L1,636bn ($1.07bn) last year and should reach about L2,800bn in 1993. Net profits *for* Parmalat Finanziaria, the listed holding company, rose by almost 24 per cent to L52bn and are forecast to rise again.

The results complete a remarkable recovery. Three years ago, Parmalat seemed in danger of foundering under excessive borrowing, the effects of costly diversification into television by the controlling Tanzi family and the after-effects of an aborted takeover by Kraft Foods of the US.

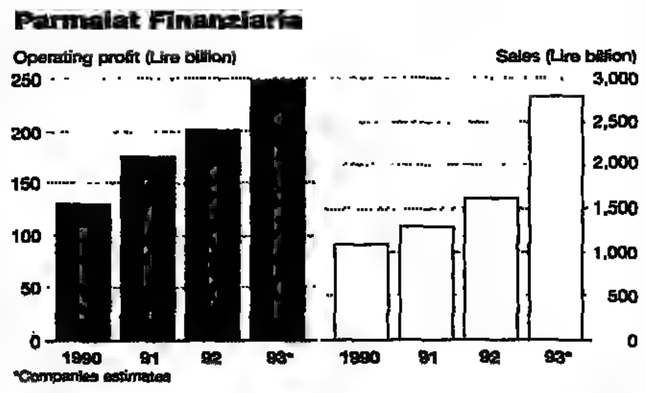
However, enough banks were willing to gamble on a restructuring. *After a complex transac*tion, debt was reduced by a substantial cash injection, the *Tanzi's shareholding in Parma*lat declined, and a number of merchant banks, notably Milan-based Akros, became more closely involved with the management of the company.

Since then, Parmalat, run by Mr Domenico Barili, director-general, has not looked back.

Growth in Italy has come through buying regional diaries to build up market share. This month, it took control of Giglio, the biggest dairy group in the Emilia Romagna region.

The deal will raise Parmalat's big share of the *Italian* long-life milk market above 34 per cent, from 30 per cent.

Giglio is the largest of a string of dairy industry purchases Parmalat is targeting



this year. Its list includes a number of municipally-owned milk companies. Bovisio, a small town near Milan, is already in the bag and the group is in talks for others in Verona and Brindisi.

Parmalat would like more. The milk *business* is municipally-owned in 10 of the biggest cities, and a number are due to be privatised. *Last year*, Parmalat purchased businesses in Genova and Como, the two main privatisations so far.

Parmalat is also is also interested in the privatisation of the big SME foods group, which has put its Cirio, Bertolli, De Rica subsidiaries up for sale.

Despite the opportunities in Italy, most of Parmalat's growth will come from abroad. Sales in Europe, excluding Italy, jumped by 164 per cent to *L66bn last year. In South* America – mainly Brazil and Argentina – turnover climbed almost 29 per cent to L260bn, while US sales reached L13bn.

Turnover in Latin America should double due partly to the purchase of Lacesa, a dairy products *group in southern Brazil*, and its associated Sodilac company, which have sales of about *$80m. Together, the 10 planned* takeovers in the region should push up Parmalat's Latin America revenues to about L650bn from L260bn last year.

The US marks Parmalat's latest attempt at expansion. This year, it has already bought an Atlanta diary, with sales of about L100bn.

Mr Tanzi believes the US, Latin America and eastern Europe are the main areas for expansion.

Is Parmalat over-extending itself? "It is a risk", admits Mr Tanzi. Though its acquisitions are often accompanied by tough restructuring, he hopes *the best staff in the companies* acquired can be encouraged to stay on.

MIM Holdings boosts profits 31% to A$67m

By Kevin Brown in Sydney

MIM Holdings, the Australian resources group, yesterday *reported a 31 per cent increase* in net profits before abnormal items to A$67.4m ($48.35m) for *the 40 weeks to April 4. Sales* were up 11 per cent to A$1.4bn.

MIM said it had benefited *from a more favourable* exchange rate for the Australian dollar, increased gold production at *the* Porgera and Tick Hill gold mines, and reduced costs at Mount Isa, its *Queensland base*.

The group said copper production at Mount Isa reached *record levels in the third quar*ter, partly because of changes to more flexible work practices which allow *mining seven days* a week.

However, operating profit *fell by A$11m to A$81m after* taking account of an abnormal profit of A$13.4m, compared with *a similar profit of* A$45.7m in the comparable period of the previous year.

For the third quarter, MIM reported a net operating profit of A$16.3m, compared with A$30.1m *in the comparable* period of the previous year. The group said the fall was *caused by a higher tax charge* and lower lead and zinc prices.

The group reported a bottom line loss of A$500,000 *for the* quarter after accounting for net abnormal losses of A$12.3m, net foreign exchange losses of A$3.3m, and minorities of A$1.2m. It made a profit of A$22.5m in the comparable period of the previous year.

San Miguel under state control

THE Philippine government has assumed control of the board of San Miguel, the local *food and beer conglomerate*, Reuter reports from Manila.

The government has elected eight nominees on the basis of shares it sequestered in 1986 on suspicion they were owned by associates of former President Ferdinand Marcos.

Kawasaki Steel shake-up delays move into chips

By Robert Thomson in Tokyo

KAWASAKI Steel, a leading Japanese steel producer, yesterday announced a restructuring plan that includes shedding 3,200 jobs during the next three years and the delaying of its drive into the semiconductor market.

The rapid appreciation of the yen combined with the domestic economic downturn has forced Kawasaki to launch the cost-cutting drive, which is similar to those adopted by most Japanese steelmakers during the tough years of the mid-1980s.

By March 1996, the company hopes to have only 14,800 workers, down from the present 18,000. Kawasaki does not plan to sack workers, but will introduce an early retirement scheme and not replace those who leave the company.

Capital spending over the next three years has been cut to an annual Y45bn ($394.7m) from a previously-planned Y80bn, while a Y25bn semiconductor plant due to be constructed in 1995 has been delayed for at least a year, thwarting the company's ambition to become a leader in electronics.

Like most other Japanese steelmakers, Kawasaki turned to the electronics industry in the mid-1980s in the belief that semiconductors would be the "industrial rice" of the future, in the same way that steel was an industrial staple in the past.

Steel demand has fallen in tandem with the downturn in the Japanese car, machinery and construction industries, and the pressure to shed staff and cut costs would be greater but for unexpectedly strong export orders from China, running at four times the levels of a year ago.

For the year ended last month, Kawasaki expects sales of about Y1,100bn, down from Y1,208bn in the previous year, and a pre-tax profit of Y7.5bn, a fall of just over 80 per cent. Longer-term goals were also revised yesterday, with sales in the year ending March 1996 now forecast at Y1,400bn, compared to an earlier target of Y1,700bn.

JAL plans hiring freeze for flight attendants

By Robert Thomson in Tokyo

JAPAN Airlines, the country's largest carrier, plans to cancel its annual intake of Japanese flight attendants for next spring as a continuing downturn in passenger has led to an intensification of its cost-cutting drive.

JAL has been hit by a fall of almost one-fifth in the number of business and first class passengers last year as Japanese companies have sought to cut costs.

The recruiting freeze, the first since 1976, follows the delayed start of training for this year's intake of 386 flight attendants, who are likely to start in September.

The airline is still under pressure to cut costs to reach its goal of breaking even this year as it has forecast a pre-tax loss of Y50bn ($438.5m) for the year to March, compared with a Y6bn loss in the previous year. JAL has suspended its dividend payment.

● Ishikawajima-Harima Heavy Industries (IHI), a leading Japanese heavy machinery maker, is to cut about 500 jobs in its aircraft engine division by the fiscal year ending March 1997, writes Wayne Aponte in Tokyo.

The company expects to reduce jobs by hiring fewer recruits, relocating employees and through attrition. IHI blamed Japan's cut in defence spending, the airline recession and the sharp appreciation of the yen.

Gengold up 18% on tighter cost control

By Philip Gawith in Johannesburg

IMPROVED cost control and a rising gold price helped Gengold, the gold arm of South Africa's Gencor group, lift after-tax profits by 18 per cent to R76.6m for the three months to the end of March from R65.1m ($20.4m) in the quarter to the end of December.

The group also announced three medium-sized capital projects at the Beatrix, Buffelsfontein and Kinross mines, which are in total worth about R200m, reflecting increased confidence in the industry's prospects.

The trend in the group towards mining less, but higher grade, ore continued. Compared with the March 1992 quarter, the group milled 18 per cent less ore, but an increase in the average grade to 6 grams per tonne from 5.2 grams meant total gold produced was only 5 per cent lower at 17,156kg, compared with 18,037kg.

Total working costs for the group were 8 per cent lower than a year ago, with unit costs nearly 4 per cent lower at R26,699 per kg gold produced against R27,626 per kg.

The effect of hedging transactions and a firmer gold price was a 2 per cent increase in the average price received to R32,942 per kg from R32,304 per kg the previous quarter.

Buffelsfontein plans to spend R74.6m on its Multigold project which allows for a more sophisticated dump treatment operation, raising gold recoveries to 80 per cent from 40 per cent. The project offers an 18 per cent real rate of return. Production costs at the operation will be R17,000 per kg.

Meanwhile, Beatrix plans to spend R77m to sink a minor shaft which will give it a five-year breathing space before having to decide whether to proceed with a larger R450m three-shaft project which is necessary to maintain tonnage. Kinross is spending R44m building two decline shafts.

S Korea's banks face a thorough clean-up

John Burton reports on the government's campaign to reform and modernise the sector

IT PROMISES to be a tumultuous year for South Korea's 23 commercial banks as the government prepares extensive reforms to restructure the industry.

Banks have already become the first business sector to feel the full impact of the new government's anti-corruption campaign.

The presidents of Korea First Bank, Bank of Seoul and BorAm Bank have been forced to resign within the past month for allegedly receiving "commissions" in return for loans or for other questionable lending practices.

Corruption is claimed to be widespread in banking. A recent survey by the Federation of Korean Industries said that 30 per cent of businessmen report that they have had to bribe bank officials to acquire loans. Banks also often require corporate borrowers to make compensating deposits in return for loans.

Analysts explain, however, that the corrupt practices are a result of strict government regulations that have prevented the banks from operating efficiently.

Banks demand compensating deposits for loans because most of their deposit rates are set by the government at a lower level than those offered by short-term finance companies, making it difficult for banks to attract money.

The government also requires the banks to provide as much as half of their loans at below market rates to designated strategic industries. The resulting shortage of capital has encouraged the bribery of bank executives by other borrowers to obtain credit.

The state's tight control reflects the prominent role the banks have played in the country's centralised planned economy during the past three decades. Banks were chiefly used to funnel money at favourable rates to industries the government considered vital for economic development.

Although the country's financial industry has expanded rapidly to meet growing capital needs, banks have less autonomy than competing finance and investment companies and their management is subject to political influence. Many bank presidents are still appointed by the government, despite the privatisation of most banks in the 1980s.

The new government of President Kim Young-sam believes that deregulation of the banking industry will promote more efficient allocation of credit, while reducing corruption, one of the main goals of his administration.

Other senior bank executives are likely to be ousted as the government purges corrupt officials and tries to de-politicise the banking sector by encouraging the independent selection of managers. This is considered a crucial step to loosening the close ties between banks and government.

More fundamental reforms were promised this week in the government's five-year economic plan. Almost all interest rates are scheduled to be deregulated by 1997. Although this will allow banks to attract more deposits by offering higher rates, it will also harm earnings by narrowing the interest rate spread, which was 2.32 per cent last year.

The healthy spread guaranteed under the regulated system contributed to the 28.4 per cent rise in 1992 operating profits for commercial banks, which totaled Won2,596bn ($3.28bn). Total net profits grew by 12.9 per cent to Won931bn. Korea First had the best earnings performance with Won355bn in operating profits and Won147bn in net earnings.

The pace of interest rate deregulation and other reforms, however, is likely to be dictated by the banks' ability to solve their potentially serious bad-loan problem.

Government officials worry that rapid deregulation could threaten the survival of several banks and force the state to rescue them.

The banks are saddled with a large number of non-performing loans because they have been forced to give low-interest – and barely profitable – "policy loans" to industries selected by the government.

The extent of the problem is unknown. The Office of Bank Supervision has not released precise figures on bad loans since 1990. Moreover, Korea's lax accounting rules "permit plenty of scope for the banks to manipulate their accounts" and hide their non-performing assets, according to a recent analysis by the Seoul office of Barclays de Zoete Wedd, the UK brokerage.


President Kim Young-sam: aims to reduce corruption

"Given the limited amount of disclosure, this area is a veritable minefield," BZW added. It estimates that ratio of non-performing loans averaged 8.8 per cent of total credits for the six largest and oldest city banks – Commercial Bank of Korea, Korea Exchange Bank, Cho Hung Bank, Bank of Seoul, Korea First Bank and Hanil Bank. They account for almost 90 per cent of total estimated bad loans of Won10,200bn.

The average bad loan ratio for the 10 provincial banks was 4.6 per cent and 2 per cent for the seven new commercial banks that have been established in the past decade.

If these estimates are accurate, the country's biggest banks will have to increase substantially their provisions for loan losses beyond the 2 per cent of total credit now required by the government.

They need to raise capital not only to cover bad loans, but also to meet the Bank of International Settlements capital adequacy ratio of 8 per cent by 1995. Only Shinhan Bank is believed able to fulfil the BIS requirement so far. But raising capital through share issues may be difficult due to the sluggish performance of the Seoul bourse.

The government has promised to solve the bad loan problem, although it has offered few specific remedies. One likely solution is to allow banks to engage in other financial sectors, such as brokerage and investment consultation, to increase turnover and profits.

The government will also likely to encourage bank mergers by possibly easing rules on ownership that now limit individual shareholders to a 8 per cent stake.

Mr Park Jae-yoon, the former head of research at the Korea Federation of Banks, predicted last year that Korea will have two or three mega-banks by the end of decade, a development that he described as "inevitable". Mr Park is now chief economic adviser to President Kim, and a key architect of country's financial reforms.

Anglovaal ahead in first quarter as losses reduced

By Philip Gawith

A REDUCTION in losses at the Loraine mine and an improved performance from flagship Hartebeestfontein helped the Anglovaal group record increased profits from its gold mines in the three months to the end of March.

Loraine, which has recorded losses for nearly three years, reduced its net losses to R2m ($600,000m) from R2.9m in the December quarter.

The mine has received permission to operate on Sundays, and the management says this should boost the June quarter result.

Hartebeestfontein lifted after-tax profits to R36.4m from R32m in December. This improvement was the result of lower costs and increased production at the low grade gold plant, as well as from the main underground operations. Here an increased milling rate and better grade boosted gold recoveries to 6,906kg from 6,525 the previous quarter.

Indian body joins with JP Morgan

INDUSTRIAL Credit and Investment Corporation of India (ICICI), India's leading development finance institution, yesterday launched a joint venture with J.P. Morgan, the US investment bank.

The venture will have an authorised capital of Rs1bn, ($32m) with an initial issued capital of Rs500m. ICICI will hold 60 per cent of the equity, and J.P. Morgan 40 per cent, through its subsidiary, Morgan Guaranty International Finance Corp. J.P. Morgan will invest $10m in the venture.

General Electric to set up joint ventures in India

By R.C. Murthy in Bombay

GENERAL Electric (GE), the US electronics to aerospace group, is to invest $100m in India to produce engineering plastics, medical equipment, white goods and lighting accessories.

The company is to set up a wholly-owned subsidiary, GE Holdings, in New Delhi to invest in about half a dozen joint ventures with local companies. The Indian government has approved the plan.

A joint venture to be called GE-Apar will make florescent lighting tubes to compete with Philips, of the Netherlands, which dominates the Indian market.

State-owned Indian Petrochemicals Corporation and GE will jointly manufacture a range of engineering plastics in Baroda in western India.

GE is talking to Godrej, a white goods producer, to produce modern refrigerators to compete with Japanese brands such as Sanyo and National.

INTERNATIONAL CAPITAL MARKETS

Dealers disappointed by slight reduction in Bundesbank repo

By Sara Webb and Jane Fuller in London and Patrick Harverson in New York

THE Bundesbank yesterday disappointed European government bond markets with the announcement of a tiny easing at its weekly repo and some unfavourable economic news. German government bonds fell back during the day, pulling the other European markets lower.

GOVERNMENT BONDS

The Bundesbank said the lowest allocated rate at its regular securities repurchase tender had dropped to 8.09 per cent from 8.11 per cent, which confirmed the recent very gradual easing in rates by the German central bank.

The Bundesbank accepted bids for DM60.6bn of 14-day securities repurchase funds, representing a net injection of DM5.8bn in liquidity.

Dealers had expected a drain of funds and a bigger reduction in the repo rate, and the bund market fell back in the morning after the repo results were announced.

Further disappointing news came with the announcement that the M3 money supply aggregate expanded at a seasonally-adjusted, annualised 3.2 per cent during the first three months of the year, having contracted in recent months.

The central bank reported a February M3 contraction of 0.3 per cent following January's contraction of 2.4 per cent. Dealers said the market was particularly worried by the acceleration in bank lending.

Supply fears contributed to the market's doldrums after Mr Theo Waigel, the German finance minister, was reported as saying the federal budget deficit would be slightly more than DM65bn, compared with a DM39bn shortfall in 1992. The size of the deficit has raised worries in the market about the amount of borrowing required.

In spite of the news, some dealers expressed faint hopes that the Bundesbank might announce at cut in the Lombard rate at today's council meeting.

The Lombard rate – now 9 per cent – acts as a ceiling on overnight money rates, while the 7.5 per cent discount rate provides the effective floor to call money.

The Liffe bund future, which opened at 96.08, fell from its high of 96.13 to a low of 95.66 before ending at around 95.68 in heavy volume.

■ UK government bonds lost between ⅛ and ¼ of a point yesterday in the middle and longer-dated maturities, taking their cue from the German bond market.

Some of the sluggishness was attributed to residual disappointment over the March public sector borrowing requirement and the rise in inflation, announced in the past few days. The gilt market will be closely watching today's labour market figures, including average earnings and unit labour costs, for positive news.

Dealers added that some positioning was taking place ahead of the April 28 gilt auction.

■ JAPANESE government bonds rallied as the yen reached an historic high against the dollar in Tokyo trading and the stock market continued to slip back.

The yen touched 109.90 to the dollar, ending at 110.35 in Tokyo. The strength of the yen against the dollar raised hopes of monetary easing, dealers said.

The fall in the stock market, which closed lower for the fourth consecutive day, also helped to lift bond futures. The Nikkei average index closed down 55.42 points at 19,773.01.

The futures contract, which was heavily traded, rose from its opening price of 109.29 to a high of 109.45 before ending the day at 109.40.

In the cash market, the yield on the benchmark No 145 bond moved in a range of 4.19 to 4.235 per cent, and closed at 4.225 per cent against its opening level of 4.205 per cent.

Dealers said the new supply of 10-year bonds at Tuesday's auction was probably the main explanation for the underperformance of the cash market.

■ US TREASURY prices were flat-to-firmer yesterday morning, with prices lifted by reports that the Federal Reserve was buying intermediate coupons.

By midday, the benchmark 30-year government bond was up $\frac{1}{16}$ at 104¾, yielding 6.740 per cent.

At the short end of the market, the two-year note was also unchanged, at 100$\frac{1}{32}$, to yield 3.739 per cent.

Trading opened quietly, with dealers and investors awaiting the next set of economic data – today's weekly jobless claims report. Until they have more news on the labour market, players seemed unwilling to push the market higher, or lower.

The only action in the morning was the Fed's buying of two-year, three-year, five-year and seven-year notes, apparently on behalf of the Bank of Japan. The Japanese central bank had intervened earlier in the week to support the US currency against the soaring yen.

It was believed yesterday that the BoJ was using those newly-acquired dollars to buy Treasury securities, via the Fed.

FT FIXED INTEREST INDICES

	April 21	April 20	April 19	April 16	April 15	Year ago	High *	Low *
Govt Secs (UK)	95.99	95.88	96.08	96.35	96.81	88.49	98.04	93.28
Fixed Interest	111.88	111.80	111.89	112.78	112.86	102.31	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	April 20	April 19	April 16	April 15	April 14
Gilt Edged Bargains	125.9	113.1	118.3	121.4	107.8
5-Day average	115.7	111.2	109.0	103.8	98.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	113.9185	-0.080	7.53	7.43	7.67
BELGIUM		9.000	03/03	110.6000	-0.200	7.45	7.35	7.41
CANADA *		7.250	06/03	99.7000	-0.150	7.29	7.39	7.47
DENMARK		8.000	05/03	102.1000	-0.150	7.69	7.80	8.16
FRANCE	BTAN	8.000	05/98	104.4385	-0.172	6.92	6.84	7.16
	OAT	8.500	04/03	109.5500	-0.240	7.13	7.08	7.39
GERMANY		7.125	12/02	103.3050	-0.250	6.64	6.57	6.67
ITALY		11.500	03/03	93.3450	-0.005	13.10†	13.24	12.80
JAPAN	No 119	4.800	06/99	103.2171	+0.125	4.14	4.21	3.99
	No 145	5.500	03/02	108.2918	-0.037	4.22	4.20	4.07
NETHERLANDS		7.000	02/03	103.2500	-0.200	6.53	6.51	6.63
SPAIN		10.300	06/02	92.8550	-0.256	11.57	11.66	11.47
UK GILTS		7.250	03/98	101-08	-2/32	6.96	6.79	6.71
		8.000	08/03	100-29	-6/32	7.87	7.70	7.66
		9.000	10/08	106-04	-7/32	8.29	8.14	8.21
US TREASURY *		6.250	02/03	102-30	+4/32	5.85	5.91	5.96
		7.125	02/23	104-31	+6/32	6.73	6.77	6.82
ECU (French Govt)		8.000	04/03	102.5700	-0.280	7.62	7.58	7.51

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Eurobond debut for Republic of Colombia

By Jane Fuller and Stephen Fidler

THE Republic of Colombia will make its debut in the Eurobond market next week with a $125m five-year bond issue aimed at establishing a benchmark for external fund-raising.

The proceeds will be used to pay off existing borrowings. Colombia's external debt has remained at between $17bn and $18bn for the past six years, about 34 per cent of last year's estimated GDP.

Mr Rudolf Hommes, finance minister, said he expected Colombian borrowers – public and private – to follow over time, but there would no flood of issues and the country's debt ratios would continue to decline in coming years.

Ecopetrol, the Colombian state oil company, would probably be the most active borrower. Ecopetrol is scheduled to launch a debut Eurobond of $120m next month.

As a guide to the yield spread for the republic's new issue, Bankers Trust International, lead managers, pointed to the United Mexican States 7¼ per cent bond due 1998, launched in February at 208 basis points above the benchmark five-year US Treasury.

However, some Latin American debt analysts said that Colombia's first issue should come at a small premium to the latest Mexican bond, suggesting the 220-230 basis point range.

Colombia is not rated by either Standard & Poor's or Moody's, but Bankers Trust says it should attract an investment grade rating. The factors stressed were: the country's sound record on servicing debt – it did not reschedule its borrowings in 1980s debt crisis; the economic growth rate, which has averaged 3.4 per cent a year in real terms since 1960; the current account surplus; and a negligible budget deficit.

Representatives of merchant banks at yesterday's presentation in London agreed that Colombia had a good economic record, but pointed to political and social risks, including the activities of terrorist groups and drug traffickers.

Phillip takes 40% stake in UK broker

PHILLIP Securities, a Singapore stockbroker, has acquired a 40 per cent stake in London-based broker Walker, Crips, Weddle, Beck (WCWB), Reuter reports from Singapore.

"The tie-up will help increase our retail businesses, client services and the range of investment products," said Mr Loh Hoon Sun, managing director of Phillip.

He declined to specify how much was paid for the stake. WCWB is a member of the London Stock Exchange serving more than 45,000 private clients, Phillip claims.

With the London move, Philip now has nine main operating companies in Singapore, Malaysia, Hong Kong, Indonesia and the UK.

Mr Loh declined to comment on the possibility that Philip may seek a listing on the Singapore stock exchange in the near future.

Aggressive pricing for $500m, five-year Canadian issue

By Richard Waters

THE Export Development Corporation of Canada yesterday launched its anticipated $500m offer at an aggressive yield of only 22 basis points above US Treasuries, taking the unusual step of restricting the transaction to just three underwriters.

INTERNATIONAL BONDS

The five-year issue was led jointly by CSFB, Merrill Lynch and UBS. Restricting the transaction to three banks increases these institutions' control over the distribution of the bonds, though the transaction runs the risk of undermining the borrower's standing with banks not invited into the deal.

The underwriters reported that while the pricing had been aggressive, more than half of the bonds had been sold by the end of the day.

Also in dollars, the Republic of Austria came with an unusual 15-year offer, a maturity which is seldom traded and for which some bankers said there was little demand. However, at just $200m and given the relative scarcity of the name, the bonds were said to have sold well in eastern Asia and continental Europe.

With no current-coupon benchmark bonds over which to price the deal, the bonds were pitched at 42 basis points over 10-year Treasuries. The slope of the US yield curve between 10 and 15 years implied an increase in yield of 4-4½ basis points a year, giving a spread of 20-22 basis points over the interpolated curve, banks involved in the deal said. The yield spread held up later in the day, after the bonds were freed to trade.

On a busy day across a range of currencies, the French franc was again a focus of attention. McDonald's and Toyota Motor Credit Corporation launched FFr1bn deals in the international market, at 10 and five years respectively. Aéroports de Paris raised FFr1bn over 10 years in the domestic market.

The tight yield spread at which the Toyota deal was completed – 25 basis points – reinforced the recent trend for the Eurobond market to offer more competitive pricing than the domestic markets, as international investors have bought into a rising currency. As a result, the European Investment Bank, which was planning a domestic issue today, was reported to have switched its attention to the Eurobond market. It was said to be planning a FFr2bn three or five-year issue at a spread of 12-15 basis points over French government bonds, some five basis points less than it would have paid in the domestic French market.

Both the Kingdom of Sweden and New Zealand launched offerings in currencies where they have existing issues maturing. Sweden's C$300m deal was pitched in the less-heavily used 10-year area and, with a payment date on May 12, was positioned to benefit from a C$250m issue from the same borrower which matures on May 5. New Zealand, not seen in the public markets since 1990, raised £150m, one day after its existing £100m issue matured.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Export Development Corp.	500	5.25	99.59R	Apr.1998	0.25R	+22 (5⅛%-98)	CSFB/Merrill Lynch/UBS
Republic of Austria(a)	200	6.25	98.89R	May.2008	0.4R	+22 (a)	Lehman Brothers Intl.
Merrill Lynch & Co.(b)‡	150	(b)	99.75R	May.2003	0.5R	-	Merrill Lynch Intl.
Citicorp(c)#	75	8.25	99.713R	May.1996	1.0R	+420 (4⅝%-96)	Citibank Intl.
YEN							
Marubeni Corp.	10bn	4.75	100.15R	Aug.1998	0.3R	-	Bk. of Tokyo Cap. Mkts.
D-MARKS							
Volkswagen Intl. Finance	1bn	7	101.75	May.2003	2.5	-	Deutsche Bank
FRENCH FRANCS							
McDonald's Corp.	1bn	7.5	99.186R	May.2003	0.375R	+50 (8½%-03)	Société Générale
Toyota Motor Credit Corp.	1bn	7.125	99.75R	May.1997	0.225R	+25 (8½%-97)	Paribas Cap. Markets
STERLING							
New Zealand	150	7.375	98.807R	Nov.1998	0.25R	+60 (7¼%-98)	Barclays de Zoete Wedd
CANADIAN DOLLARS							
Kingdom of Sweden	300	8	99.485R	May.2003	0.325R	+60 (7¼%-03)	Paribas Cap. Markets
LKB Baden Württemberg Fin.	125	7	100R	May.1997	0.225R	+40 (6½%-96)	Kidder Peabody Intl.
ITALIAN LIRA							
KfW Intl. Finance	150bn	10.6	101.625	May.1998	1.875	-	Bca.Commerciale Italiana
World Bank(d)	100bn	10.8	101.875	May.2003	1.875	-	San Paolo, Turin
GUILDERS							
EPON	500	6.75	100.15R	May.2003	0.25R	+20 (6½%-03)	Rabobank Nederland
SWISS FRANCS							
European Investment Bank	250	4.625	102	Jun.2000	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Spread is over the interpolated yield curve. b) Coupon pays 6-month Libor flat; minimum 5.125%, maximum 9%. c) Argentine related notes. d) Issue launched 14/4/93 was increased to L300bn.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on April 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105⅞	106½	-⅛	4.27
ALBERTA PROVINCE 9 3/8 95	600	111	111¼		4.82
AUSTRIA 8 1/2 00	400	113⅜	114⅛	+⅛	5.94
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ARBED 7 1/2 95 LFr	600	99	100	+⅛	7.98
ECSC 7 3/4 94 LFr	1000	99⅞	100½	-⅛	7.82
WORLD BANK 8 98 LFr	1000	101	102	-⅛	7.61
[illegible]					

FLOATING RATE NOTES, DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, YEN STRAIGHTS, CONVERTIBLE BONDS: [illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	21	36	18
Other Fixed Interest	2	5	10
Commercial, Industrial	397	170	[illegible]
Financial & Property	171	93	536
Oil & Gas	11	50	[illegible]
Plantations	0	0	8
Mines	36	30	68
Others	36	46	41
Totals	674	400	1,571

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	½	½	Anglo Utd Warrants	½		-	-	-	-
170	F.P.	-	215	183	Brown (B)	215	-2	W8.0	2.4	3.5	15.2
150	F.P.	-	186	153	David Lloyd Leis	173		01.95	4.8	1.4	18.7
100	F.P.	-	104	100	Fleming Emerg 2000s	103½	+½	-	-	-	-
100	F.P.	-	105	99	For & Col US Small Co's	102		-	-	-	-
-	F.P.	-	44	30	[illegible]	41		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
550	[illegible]	8/6	128pm	115pm	[illegible]	115pm	
285	[illegible]	5/5	67pm	61pm	[illegible]	67pm	+3
28	[illegible]	17/5	11pm	9pm	[illegible]	9pm	
23	[illegible]	7/5	2½pm	1½pm	[illegible]	1½pm	
340	[illegible]	14/5	23pm	22pm	[illegible]	22pm	
208	[illegible]	6/5	20pm	11pm	Harris (P)	11pm	-1
180	[illegible]	29/4	14pm	6pm	[illegible]	12pm	
35	[illegible]	7/5	10pm	8pm	Mayflower Corp.	9pm	
68	[illegible]	11/6	3pm	3pm	[illegible]	3pm	
150	[illegible]	26/5	21pm	13½pm	Slough Estates	15pm	+1

[illegible]

TRADITIONAL OPTIONS

- First Dealings April 5
- Last Dealings April 23
- Last Declarations July 15
- For settlement July 26

3-month call rate indications are shown in Saturday editions.

Calls in: Armour Tst., Ashley Grp., ASDA, Evered Bardon, Fisons Greenacre, Gresham Tel., Harstone, Kewill Syst., Lucas Wts., Owners Abroad, Regalian Prp., Salvesen (C.), Taylor Nelson and Tadpole. Puts in: Hammerson A and Taylor Nelson. Puts & Calls: Armour Tst., Ferranti, Hanson Wts., Owners Abroad, Rainers and Salvesen (C.).

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*566)	550	37	48	53	28	35	42
	600	13	29	32	61	68	72
[illegible]							

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
BAA (*788)	750	32	47	50	10	32	37
	800	7	24	34	39	60	65
[illegible]							

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

Aerospace division falls to £13.9m following civil aviation downturn

Smiths lower despite medical boost

By Andrew Bolger

THE DOWNTURN in civil aviation means Smiths Industries has for the first time made more profits from medical products than aerospace, the UK-based group's traditional core activity.

Smiths, which reported a fall in pre-tax profits from £44.3m to £40.3m in the period, spent £122m on acquisitions outside aerospace during the six months to January 30. Mr Roger Hurn, chairman and chief executive, said he expected civil aviation to recover in the second half of the decade, but could not predict when.

Delays in defence procurement and the reduction in civil aircraft programmes by customers such as Boeing caused trading profits from aerospace to slump from £18.2m to £13.9m, on sales down from £184m to £175m.

Smiths has accordingly continued to reduce its aerospace workforce, cutting 200 jobs in the UK and 200 in the US, bringing the total to 6,000.

The aerospace downturn was partly offset by a strong performance by the rapidly expanding medical systems division, which increased trading profits from £11.6m to £16.1m on sales which rose from £63.8m to £84.6m.

Overall sales increased from £307.4m to £328m. Acquisitions were responsible for £17.1m of sales and contributed £3m to total operating profit of £38.6m (£37.8m). The pre-tax figure was depressed by a £3m provision to cover an unsuccessful investment in a device for measuring blood pressure.

Despite the profits fall, shares in Smiths rose 7p to 347p.

Mr Hurn said: "All parts of the company have shown a resilient performance in this first half, and we expect to achieve steady progress in the remainder of the year and beyond."

Industrial, the group's third division, increased trading profits from £8m to £8.6m, in spite of being exposed to the worst effects of the recession. Sales increased from £59.6m to £68.4m.

The division's ducting companies, especially Flexible Technologies, a US acquisition now in its second year with the group, had performed well. Smiths also said that Vent-Axia, a fans and hand driers maker bought for £56m in December, had proved a natural fit.

In medical systems, Smiths paid £66m for Intertech Resources of Florida in October, and £16m for HG Wallace of Colchester in July. Both companies manufacture single-use products, mainly in the field of anaesthesia and respiratory products, and have been integrated with the group's existing businesses.

Mr Hurn said: "The medical systems group will be a major contributor to the future success of Smiths Industries."

Ashley Ashwood

Roger Hurn (left) with Christopher Taylor, finance director

In spite of the heavy spending on acquisitions, Smiths still had net cash of £5m. Interest receivable fell from £6.5m to £4.3m. Cashflow from operations increased substantially to £51.9m (£37.9m).

Mr Hurn said he would be willing to borrow to make further acquisitions.

Earnings per share fell to 9.2p (10.1p). The interim dividend is lifted by 5 per cent to 4.3p (4.1p).

See Lex

BTR sells its 17.2% stake in Meggitt

By Richard Gourlay

BTR, the industrial holding company, yesterday severed a six-year relationship with Meggitt, the acquisitive engineering company, by selling its 17.2 per cent stake.

The shares were placed at 98p by Smith New Court, Meggitt's brokers, at a tight 2½p discount to the level at which the shares closed on Tuesday night. Meggitt's share price rose ½p to close at 101p yesterday.

BTR has held the stake since it supported Meggitt's 1986 bid for Bestobell, the electronics and mechanical component company. BTR had a 29 per cent stake in Bestobell following its failed bid the previous year.

Last week Meggitt reported pre-tax profits up from £18.7m to £23m but earnings per share fell. Mr Ken Coates, Meggitt's chairman, said at the time of the results that the company would be entering a period of relatively quiet corporate activity.

While BTR has held its stake, Meggitt's sales have grown from £28m to £327m but in the past five years earnings have barely increased. Mr Coates said BTR had never commented on this.

"Right up to this week it has been a very good relationship with BTR," Mr Coates said.

Since a putative effort to take over USH in 1991, the company has also suffered, and is now trading at a significant discount to its sector.

Mr Coates, said the company had grown into an international engineering group and had considerable opportunities for further growth.

BTR's stake was never seen as hostile and the two were always likely to part company, one analyst said.

Sir Norman Ireland, chairman elect at BTR, is a non-executive director on the Meggitt board.

Sir Owen Green, BTR chairman, said Meggitt had become "an engineering group of international dimensions with strong management and a clear sense of direction".

Thames TV clears way for bid as profits surge

By Raymond Snoddy

THAMES Television is selling Reeves Entertainment, its loss-making US production company, in a move that is expected to clear the way for a bid from Pearson, the publishing, banking and industrial group.

Lord Brabourne, chairman of Thames, said yesterday that the company was "in advanced discussions" with the management of Reeves about a possible buy-out.

His statement came at the same time as Thames announced pre-tax profits of £44.4m in the year to end-December – its last as an ITV company – compared with £8.2m.

However, after extraordinary items of £93.4m and the interim dividend the loss for the year was £68.8m. The accounts were prepared on a pre-FRS 3 basis.

Lord Brabourne also said yesterday that "discussions regarding a possible offer for Thames by Pearson have advanced, but agreement has not yet been reached."

Neither side would comment further on the talks although Pearson, which owns the Financial Times, has made it clear that it is interested in expanding in the media. The present market capitalisation of Thames, which is controlled by Thorn EMI, is £88.7m.

Reeves has never fulfilled Thames' hopes since the UK broadcaster bought it for about £57m. It lost £10.3m last year. The provisions on the purchase include £51.5m in goodwill previously written off to reserves plus £22.8m, mainly for programme costs not yet amortised.

Further provisions of £19.1m were made in the UK because of the loss of the ITV franchise, almost all because of property and equipment rationalisation costs. The provisions mean that Thames has no distributable reserves so there will be no final dividend. The Thames chairman said the directors intend to bring forward proposals for a reduction in capital to try to resume dividend payments as soon as possible.

The company has also revalued its 9.6 per cent stake in SES, the operator of the Astra satellite system, to £20m in line with third party transactions.

Lord Brabourne said Thames' interest in taking part in programme services "remains undiminished" although the company still thought it "deeply unsatisfactory" that the Independent Television Commission had not re-advertised a Channel 5 licence.

Despite the high costs of restructuring Lord Brabourne said that programmes such as The Bill, Mr Bean and Wish You Were Here, the programme library and investments in both programme services such as UK Gold and Astra "provide Thames with the opportunity of benefiting from expansion in the television industry worldwide."

Thames shares fell 5p to 174p.

Scottish Widows increases life and pensions contract sales

By Philip Coggan, Personal Finance Editor

SCOTTISH WIDOWS, the mutual life insurance company, reported increases in its sales of life and pensions contracts in 1992. Annual premiums rose 10 per cent to £122m and single premiums were up 19 per cent at £536m.

Sales of unit trusts improved 62 per cent to £92m, of which £71m came from the personal equity plan and Maximiser product.

The company commented on the recent recommendation by the Office of Fair Trading that independent financial advisers should be obliged to reveal to their clients the commission they receive from product providers.

"This seems to us to introduce an unacceptable bias against IFAs and is likely to alter the way in which the market operates to the long term disadvantage of consumers" said Mr Colin Black, chairman.

However, Scottish Widows said it was supportive of other parts of the OFT's report, notably that consumers should be provided with greater information on the surrender value of insurance policies.

The company was fined £120,000 during the year by Lautro, the life industry regulator, and obliged to review its authorised representative business. It said it had introduced a new management structure and an improved training programme to deal with the problem.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amber Day ......int	1.1	July 3	1.1	-	3.1
Barlows ......fin	nil	-	1.65	0.825	2.475
Beckenham § ......fin	nil	-	nil	nil	0.5
Bentalls ......fin	1.3	June 7	3.25	1.9	3.85
Boot (Henry) ......fin	4.3	May 28	3.9	5.9	5.4
Bourne End ......fin	1	July 7	1	1	1
Dencora ......fin	3	July 1	5.5	3	6.5
Forward Gp § ......fin	2	July 5	1.5	3.3	2.5
Havelock Europa ......fin	nil	-	nil	nil	1.5
Jerome (S) ......fin	nil	-	nil	nil	1
Smiths Inds ......int	4.3	June 4	4.1	-	11.25
Thames TV ......fin	nil	-	5	2.5	7.5

Dividends shown pence per share net except where otherwise stated. §USM stock.

Dencora incurs £404,000 loss

Provisions against land values resulted in Dencora, the property and housebuilding group, swinging from profits of £404,000 to losses of £936,000 pre-tax for the 1992 year.

The dividend is cut from 5.5p to 3p. Fully diluted losses emerged at 3.1p (earnings 4.7p) per share. Trading turnover fell to £11.8m (£27.4m) and left total turnover some £16m lower at £30.6m.

The value of the investment portfolio was written down by £8.6m to £72.4m – an average reduction of 10.5 per cent on the value of properties held throughout the year.

Net asset value per share fell from 228p to 182p.

QMH sells Harmony stake

By Tim Burt

QUEENS MOAT Houses, the hotel group, yesterday sold a 14.5 per cent stake in Harmony Leisure, the pubs and restaurants company, to Southend Property Holdings.

Southend, an existing minority shareholder in Harmony, said it made a bid for the stake after shares in the hotel group were suspended last month.

Describing the transaction as a "good opportunity", Mr Malcolm Dagul, chairman of Southend, said the group had agreed to buy 3.88m Harmony shares at 5p apiece. The sale is dependent on a planned rights issue at Harmony being underwritten.

Young seeks £15m from debenture

Young & Co's Brewery, the south London-based real ale brewer, is to raise £15m through a placing of long-dated debenture stock.

The proceeds will be used to repay existing bank loans and for "general corporate purposes".

The debenture stock carries a coupon of 9.5 per cent and matures in 2018. The gross redemption yield is 9.557 per cent.

Wm Jacks cuts deficit to £0.4m

William Jacks, the motor dealer, cut losses from £850,000 to £417,000 pre-tax for the year to end-January.

Turnover of £38.9m compared with £42m previously.

The results took account of exceptional provisions of £114,000 following management reorganisations and interest charges of £789,000 (£1.11m).

An extraordinary charge of £97,000 arose on the closure of the Caxton bodyshop operations.

Losses per share were reduced to 5.48p (6.64p).

Jacks is ultimately owned by Johan Holdings, incorporated in Malaysia.

Amber Day achieves £4.45m

By Andrew Bolger

AMBER DAY, the discount retailer, has taken an important step on the road to regaining credibility following last year's departure of Mr Philip Green, its controversial chairman and chief executive.

The group yesterday reported operating profit of £5.9m in the six months to January 30. That was down from £7.46m, but it said the figures were not directly comparable because of a large one-off video deal which contributed about £2m last time.

Sales by the 52 branches of What Everyone Wants grew 17 per cent to £55.7m, split almost equally between like-for-like growth and new stores. Group turnover, including an import business, improved 10 per cent to £61.3m (£55.5m).

The pre-tax profits figure of £4.45m compared with a restated loss of £6.29m. The profits figure was depressed by the exceptional payment of £1.13m made to Mr Green, who stepped down in September after the group reported a sharp fall in profits.

The company also spent £1.7m in August to buy and cancel 6.1m shares in the company held by Prudential, which bailed out at just 27½p per share. Amber Day's shares, which have recovered steadily since their low point of 24p in August, yesterday closed 5p higher at 79p.

Stacey Ellis, left, and Philip Green, whose £1.13m payment depressed the group's results

Mr Stacey Ellis, the former Inchcape director who became group chairman, said: "I have been greatly impressed, in the three months since I joined, with the group's strengths and prospects and look forward with confidence to the second half of this year and beyond."

Mr Ellis said more competitive pricing, coupled with a policy of widening the product range and upgrading quality had been well received.

Strong cashflow from operations helped limit the increase in gearing to 38 per cent, up from 22 per cent.

Earnings per share of 2.51p compared with losses of 6.43p. Mr Ellis said that the strong financial position and growth prospects meant the board felt justified in maintaining the interim dividend at 1.1p.

COMMENT

Amber Day's main task yesterday was to reassure doubters that there would be no more nasty surprises from a company which caused a lot of grief last year. Mr Ellis achieved his aim, assuring analysts that there were no skeletons in the cupboard, and that these profits represented a clean basis on which to judge future performance. More remains to be done – not least the crucial appointment of a chief executive, which should be announced by the middle of the year. However, forecast earnings of £9m for the full year put the shares on a prospective multiple of under 15. At this level they are likely to attract further support from investors who believe that discount shopping has a place in the UK.

Chinese trust to be launched

By Philip Coggan, Personal Finance Editor

THE FIRST UK-listed investment trust to concentrate on China is set to be launched over the next few weeks.

The China Investment Trust will join the market via a placing by James Capel and will be managed by Jupiter Tyndall (Asia).

Yesterday, CST Emerging Asia Trust announced that it was in talks which could lead to a takeover by the China Investment Trust once the latter comes to the market.

CST is also managed by Jupiter Tyndall, which beat off a move to replace it as manager last year by promising to produce alternative proposals to shareholders.

The offer will provide a full cash alternative which is expected to be at about 95 per cent of CST's fully diluted net asset value.

The China Investment Trust will aim for long-term capital growth by investing in shares on the Shenzen and Shanghai exchanges as well as by investing in "China plays" on other exchanges such as Hong Kong and Taiwan.

Recovery takes Helical to £6m

By Roland Rudd

HELICAL BAR, the property investment, development and trading company, continued the recovery seen in the first half to report pre-tax profits of £5.88m for the year to January 31, against losses of £7.56m.

The profits included £3m from investment sales, which previously would have been shown as extraordinary items. Sales fell to £24.8m (£31.1m).

Helical said it was helped by falling interest rates, lower administration costs and recoveries of previous years' provisions.

It sold £38m of property during the year with £30m completed before the year end. With the completion of the balance and sales of £11m since the year end, net borrowings will fall to £52m.

Gross profits were £16.9m (£11.6m) which included rents of £13.8m. Net interest payments fell to £11.4m (£15.4m) as a result of sales and the fall in interest rates.

Fully diluted net assets per share rose 4p to 224p. Earnings were 29p (43.2p losses). A second interim dividend of 2.4p in lieu of a final has already been paid for a total of 4.8p (4p).

S Jerome cuts losses to £246,000

S JEROME & SONS (Holdings), the West Yorkshire-based textile group, cut pre-tax losses from £1.15m to £246,000 for the 1992 year.

Turnover totalled £36.2m (£37.1m) of which textiles accounted for £21.4m, an increase of 7.5 per cent.

The results included nine months of CMR, the electronics division which was sold in October. The sale helped reduce year-end borrowings to £2.86m (£6.38m).

Losses per share were trimmed to 3.7p (10.5p). The dividend for the year is omitted – last year 1p was paid.

Etonbrook bid talks collapse

By Tim Burt

TALKS AIMED at securing an agreed takeover bid for Etonbrook Properties collapsed yesterday amid claims that rebel shareholders had insufficient backing to make a cash offer for the former BES company.

Mr Keith Moss, managing director of the property development group, said dissidents led by Mr Andrew Perloff, who controls 29.9 per cent of the share capital, had failed to show they could muster funds for a 79p offer.

The rebels last night rejected the Etonbrook claims and said their bankers had given verbal confirmation that the necessary funds were available.

Although Mr Perloff still hoped an agreed offer would be accepted, both sides are now resigned to the issue going to an extraordinary meeting tomorrow at which the rebels are seeking the removal of the current board.

The EGM marks the culmination of an increasingly acrimonious battle for control of the company which began last year when Mr Perloff first sought a seat on the board.

Etonbrook has since blamed a sharp fall in interim pre-tax profits on costs incurred fighting the rebel action.

Both sides are claiming widespread support from individual shareholders and both predict victory in tomorrow's extraordinary meeting.

Barclays' NZ side up 80%

By Terry Hall in Wellington

BARCLAYS' New Zealand subsidiary announced an 80 per cent rise in profits from NZ$6.1m to a record NZ$11m (£3.85m) last year.

Mr Warren Salisbury, general manager, said the result reflected increased revenues, a drop in overheads, and improved processing systems.

The division cut its staff by 20 to 40 people.

Mr Salisbury said most of the revenue came from the asset book, which he said was valued at between NZ$1bn and NZ$1.5bn.

Barclays bought the swaps book of DFC New Zealand, the collapsed former state-owned investment bank, in 1991.

The New Zealand branch trades in the short term money market, and is active in the foreign exchange forwards and swaps markets, but does not deal in the spot New Zealand dollar.

Barlows passes dividend

PRE-TAX losses almost doubled to £654,000 at Barlows in 1992 and the property company decided to omit its final dividend.

The company attributed the further decline from 1991's £339,000 deficit to the disposal of its interest in Trinity Court, Manchester, to its joint partner, the Church Commissioners; the cost of delay in letting two other joint ventures, together with reductions in their asset values; and a reduction in the value of the rest of the portfolio.

Net asset value per share at December 31 stood at 69.8p, down from 85.2p. Losses per share rose to 2.65p (0.77p). The interim dividend of 0.825p was the sole payment – in 1991 the total was 2.475p.

The shares fell 3p to 43p.

The directors said that following the sale of Trinity Court, the value of the remaining property portfolio amounted to £28m.

Regina in black with £0.14m

Improved margins and reduced operating and overhead costs helped Regina, the USM-quoted Royal Jelly products group, return to profits in the half year to February 28.

On turnover of £1.19m (£1.17m) pre-tax profits amounted to £143,000 (£457,000 losses) and included a £58,000 contribution from Regina Haw Par, the Singapore-based joint venture with Tiger Medicals.

Mr Shiraz Malik-Noor, chairman, said that considerable progress had been made towards launching two new products.

Earnings per share came through at 0.09p (0.34p losses).

PUBLIC WORKS LOAN BOARD RATES

Effective April 20

Years	Quota loans* EPI†	ANN††	At maturity§
1			6¼
Over 1 up to 2	6½	6½	7
Over 2 up to 3	6¾	6¾	7¼
Over 3 up to 4	7	7	7⅜
Over 4 up to 5	7⅛	7⅛	7⅝
Over 5 up to 6	7¼	7¼	7⅞
Over 6 up to 7	7⅜	7⅜	8⅛
Over 7 up to 8	7½	7½	8¼
Over 8 up to 9	7⅝	7⅝	8⅜
Over 9 up to 10	7¾	7¾	8⅜
Over 10 up to 15	8¼	8¼	9⅛
Over 15 up to 25	9⅛	9⅜	9½
Over 25	9½	9⅝	9⅝

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Housebuilder tops £7m and bucks industry trend

Henry Boot ahead 5%

By Andrew Taylor, Construction Correspondent

HENRY BOOT, the Sheffield-based contractor, housebuilder and property developer, yesterday became one of the few construction companies to announce profit and dividend increases for 1992.

Following a 4.6 per cent increase in pre-tax profits from £6.77m to £7.08m, the final dividend is lifted to 4.3p from a 1991 equivalent of 3.9p.

The total dividend for the year of 5.9p is 9 per cent higher than in 1991 and well covered by earnings per share ahead *from 18.4p to 18.9p.*

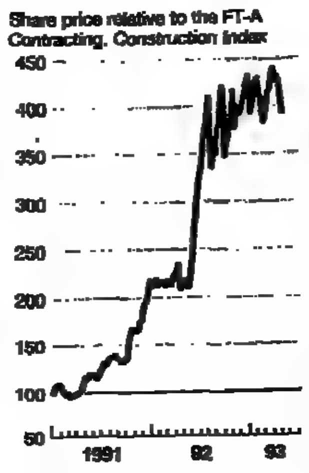
The profits increase was achieved despite a fall in interest receivable from £2.4m to £1.9m. *Net cash at the year-end* is thought to have reduced from more than £14m to about £10m following acquisitions.

Turnover fell marginally, from £129.9m to £129.4m.

Trading profits rose from £4.2m to £5.2m due to better performances from contracting and housebuilding.

Mr Jamie Boot, managing director of the company in which the family owns about half the shares, said the company had succeeded because it had not chased low margin *construction* work or indulged in some of the excesses of other housebuilders in the late 1980s.

Even so net housing margins had slipped last year to about 8 per cent. Unit sales by comparison were up by 50 per cent on 1991 levels.



Source: FT Graphite

Havelock Europa loss climbs to £3.07m

By James Buxton, Scottish Correspondent

HAVELOCK EUROPA, the storefitting company, saw pre-tax losses increase from £2.47m to £3.07m over the 1992 year but said it was "cautiously optimistic" about its prospects, mainly because of last autumn's financial restructuring.

The outcome was reached after an exceptional loss of £893,000 (£458,000), mainly reorganisation costs of £696,000.

Losses per share were 15.4p (10.2p). No dividend is declared for the year; an interim of 1.5p was paid in 1991.

Difficult market conditions pushed turnover down 13 per cent to £32.9m (£37.7m).

Last October the company reacted to continuing poor trading conditions by raising £2.97m via a placing and open offer and setting up a trading alliance with SAS, a private building systems supplier. SAS took up nearly 4 per cent of the increased equity and has a director on Havelock's board.

The company also carried out a cost cutting programme in which it cut its workforce by 220 to 609. Staff salaries have not been reviewed since late 1990. It reduced its overheads by £1.7m in 1992

Gearing was reduced from more than 50 per cent to 26 per cent at the year-end.

"We have now got the cost base to a level where we can survive with lower levels of activity," said Mr Norman Lessels, who at the beginning of the year took over as chairman from Sir Lewis Robertson. "We have tailored the business to operate on turnover of £32m."

Mr Hew Balfour, chief executive, said that Havelock's survival had owed much to strong orders from its traditional customers, Boots and *Marks and Spencer*. It had entered the storefitting market for food retailing and had increased the proportion of turnover from financial services companies from 11 per cent in 1991 to 18 per cent.

Littlewoods forms US-style warehouse club joint venture

By Neil Buckley

LITTLEWOODS, the privately-owned retailing and football pools organisation, has formed a joint venture with Price Club Canada and aims to open at least one US-style warehouse club in the UK before the end of the year.

The announcement ends several months of speculation in the retail trade about Price Club's plans in the UK.

Warehouse clubs – forecast to have a significant impact on UK retailing – sell a limited range of food and non-food goods at low prices from industrial-style premises to members who pay a small annual fee.

Costco, the third-largest US warehouse operator, has taken two sites in the UK, and Nurdin & Peacock, the UK cash-and-carry operator, said this month that it would open two warehouse outlets.

Littlewoods yesterday reported unchanged pre-tax profits of £97m for 1992, on turnover up from £2.59bn to £2.71bn.

The company said trading had been difficult, with turnover for its retail businesses, which include the department store chain, mail order division and Index catalogue stores, up *only 1.6 per cent* to £1.9bn (£1.87bn).

However, total profits from retail operations increased 4.3 per cent to £79.7m (£76.4m), thanks partly to interest received of £4.9m, compared with a £6.2m charge in 1991.

That reflected the group's success in reducing borrowings from £50.8m to £6.1m, through reductions in stock levels and bad debts.

Littlewoods chain stores saw sales fall from £704m to £696m, in spite of opening two new stores. Profits fell 8 per cent to £28m (£30.3m). The home shopping division increased sales by £8m to £974m, but profits were static at £55.9m.

A 12 per cent increase in sales at the Index catalogue stores to £228m, largely the result of 10 new openings, could not stop losses increasing from £3.7m to £9.1m. Littlewoods said this was due to the cost of developing Index and pressure on margins from severe price competition.

The contribution from the football pools interests rose from £19.9m to £21.6m.

Mr Barry Dale, chief executive, said he hoped the venture with Price Club would "herald the beginning of a new wholesale concept for the UK."

Price Club is a wholly owned Canadian subsidiary of The Price Company, the second-largest US operator of warehouse clubs with 94 warehouses in the US and Canada, and turnover of $6.6bn (£4.37bn) in 1991.

Littlewoods said its club would be restricted to wholesale customers, and was likely to be sited in north-west England.

Forward Group advances to £1.23m

By Graham Deller

SHARES OF Forward Group yesterday jumped 26p to 205p after the USM-quoted printed circuit board manufacturer accompanied almost doubled full-year profits with an upbeat statement on current trading.

Another strong performance from the core Forward Circuits business and a six month contribution from Chemical Express, acquired last July, helped *pre-tax profits for the 12 months to January 31* advance to £1.23m (£622,000). Turnover improved 33 per cent to £12.5m.

Mr Ray Chamberlain, chairman, said strong demand had seen sales in February and March exceed budget. "If the group continues as it has started we expect to record a very satisfactory performance for the current year," he added.

A proposed final dividend of 2p brings the total to 3.3p (2.5p), covered 3.4 times by earnings of 11.06p (5.69p).

The Staffordshire-based group also announced a placing and open offer on a 1-for-9 basis at 175p per share to raise some £1.32m. Proceeds will be used to reduce borrowings and "*allow greater flexibility*" in financing future acquisition opportunities.

ACCBank achieves growth of 31% to reach I£8.5m

By Tim Coone in Dublin

ACCBANK, the state-run Irish concern being groomed for privatisation, yesterday reported a 31 per cent increase in pre-tax profits, from I£6.51m to I£8.5m (£8.41m), in the 1992 year.

Established in 1927 to provide exclusively agricultural loans, the bank has in the past five years diversified its operations and now trades as an ordinary high street bank.

It has 45 branches throughout Ireland and a deposit base which expanded last year by 21 per cent to I£592m.

Interest and other income advanced by 19 per cent to I£95.7m (I£80.4m).

Total assets rose by 26 per cent to I£860m (I£681m).

Mr Dan McGing, ACC chairman, said: "This is now the fifth successive year in which we have had double digit growth in profits and it enables us to double our dividend over 1991."

The 1992 dividend of I£763,000 goes to the Irish Government, which is the 100 per cent shareholder.

Last August, Mr Bertie Ahern, the finance minister, announced that the government intended to dispose of ACC.

However, those plans have seemingly been put on hold with the formation of the Labour-Fianna Fail coalition in January, which in its programme for government talked of a merger with ICC, another state-run bank, rather than a privatisation.

Bentalls falls £1m into the red

A *FLAT second six months'* trading combined with a poor Christmas left Bentalls, the department store group, £986,000 *in the red at the pre*-tax level for the year to January 30.

The total dividend is cut from 3.85p to *1.9p* via a reduced final of 1.3p. The shares closed 9p down at 108p.

The deficit, which compared with previous profits of £1.4m, came from turnover of £72.4m (£71m). Losses per share emerged at *0.38p* (earnings 2.31p).

Looking ahead, Mr Edward Bentall, chairman, felt that *retail conditions* were now more favourable than a year ago. He said sales this year were *beginning to show* "some volume growth".

At January 31 the total value of the group's property interests amounted to *£68.6m.* Largely as a result of the reduction in the revaluation surplus, shareholders' funds decreased from £69.7m *to* £56.8m and net asset value per share from 166p to 135p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Fisher (Albert), Govett Strategic Inv, Low (Wm)

Finals- Abtrust New European, Etam, Fitch, Fleming Continental Euro Inv, Liberty, Proudfoot (Alexander), United Energy, Yorklyde.

FUTURE DATES

Interims-	
Automagic	Apr. 26
Bellway	May 5
Haemocell	Apr. 28
Menvale Mobile	Apr. 29
Royal Bank of Scotland	May 5
Finals-	
Babcock Intl	May 27
Body Shop Intl	May 12
S&U	Apr. 27
Toye	Apr. 30
Trinity Hldgs	Apr. 28

Sunleigh placing

Sunleigh, the USM-quoted *leisure products company*, has placed 4.5m new ordinary shares at 6p to raise about £260,000.

The proceeds will be used to launch new golfing products under the Powakaddy label.

NEWS DIGEST

Beckenham reduces loss to £5.12m

BECKENHAM Group, the USM-traded engineer, cut its *pre-tax deficit by £325,000 to* £5.12m in the year to October 31 1992.

The outcome was struck on *turnover down from £47.1m to* £34.1m and after exceptional charges totalling £2.33m (£1.92m). These were related *principally* to redundancies, reorganisation and property write-downs.

The company said margins *on ductwork trading had been* very poor.

After a tax charge of £782,000 (£697,000 credit), losses per *share came out at 11.4p* (11p). There is no divided for the year – last year an interim of 0.5p was paid.

Fleming Income net asset value at 77.53p

At the end of its first year of trading, Fleming Income & Capital Investment Trust had a net asset value of 77.53p per share.

Net income for the period to March 31 1993 amounted to £5.33m for earnings per share *of 5.77p. Forecast earnings* were 4.725p.

A fourth quarter interim dividend of 1.725p, already *announced, makes a total of* 4.725p, as forecast.

About 88 per cent of the trust's assets were invested in UK *ordinary* shares, with the remainder in convertibles.

Bourne End cuts losses to £1.15m

Bourne End Properties, which *owns and manages investment* properties, reduced pre-tax losses from £1.42m to £1.15m in 1992.

Net rental income totalled £3.47m (£3.38m) but there were no profits this time from property sales (£647,000). *Losses per share amounted to 11.2p* (13.7p) and an unchanged dividend of 1p is recommended.

At December 31 the property *portfolio was professionally* revalued and net asset value per share was 73p (103p).

The ultimate holding company is Vasella Holdings.

Peek in China joint venture

Peek, the traffic and field data systems group, has acquired a 41 per cent stake in Sichuan *Modern Control Systems* Engineering, a traffic engineering company based in China. No price was disclosed.

The *two* companies have established a joint venture which will focus on the manufacture and installation of traffic engineering products throughout China.

FKI in £5.4m disposal

FKI has disposed of FKI Com*munications as part of the pro*gramme to concentrate on the development of strong market positions in its core businesses. The sale is via a management buy-out backed by ECI Ventures.

Consideration was £5.4m, *made up of £1.4m in preference* shares with the balance in cash.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour ended	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]
0200	[illegible]	[illegible]	[illegible]
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

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FINANCIAL TIMES
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Chinese traders face heavy copper losses

By Kenneth Gooding, Mining Correspondent

SOME CHINESE trading houses are suffering substantial losses because of the recent collapse in London Metal Exchange copper prices, according to traders and analysts. Nobody knows the details, but trade estimates yesterday suggested Chinese losses might be as much as $80m.

LME sources suggest there was a concerted attack by some London traders on the Chinese futures and options positions. This helped to drive down copper prices from a 1993 peak of $2,400 a tonne to a 5½-year low of $1,820 a tonne yesterday.

"The London traders have been going after the Chinese for six to eight weeks. They found their long positions and hit them hard," said one observer.

This was a reversal of the situation in 1992 when the Chinese seemed to be all-powerful in the copper market. China's demand for the metal is so great that its traders are estimated to have bought 300,000 tonnes of physical metal last year and taken futures positions on 500,000 tonnes. Analysts say the Chinese used their buying power and astute trading ability to make handsome profits in 1992.

However, traders suggest the Chinese left themselves somewhat vulnerable by buying about 85,000 tonnes of physical copper in December, which was enough to cover most of China's first-quarter 1993 import requirements. The London traders' *determined attack* pushed the copper price down below $2,100 a tonne, a level at which Chinese "sell stops" (sales to keep losses to a predetermined minimum) started to be triggered.

Chinese losses on some contracts are between $200 and $400 a tonne, traders estimate, but it is impossible to guess the tonnage involved.

"It could be between 100,000 and 200,000 tonnes. But they can handle the losses," said one.

Traders say that, while the Chinese "lit the blue touch paper", for copper's fall, much of this week's volatility and further price drop has been *caused by options traders* being forced to offload positions into a very thin market. "Most of the traders with real business to do have stepped aside because of the extreme volatility. The big option books are now being crucified," said one.

Analysts expect the copper price to stabilise now. Mr Wiktor Bielski, analyst at Carr Kitcat & Aitken, part of the Banque Indosuez Group, said copper was unlikely to fall below 75 cents a lb ($1,653 a tonne) and would probably form a base at 80 cents, a price at which one quarter to one third of world producers broke even. The price rally when it came would be as sharp as the recent fall as "buy stops" would be triggered on the way up.

He pointed out the copper market remained fundamentally weak, with a supply surplus of at least 200,000 tonnes expected this year and a period of seasonally poor demand in the northern hemisphere fast approaching.

Natural rubber producers to prepare for life after Inra

By Kieran Cooke in Kuala Lumpur

OFFICIALS OF the Association of Natural Rubber Producing Countries are to meet here next week to work out a programme of action if the present International Natural Rubber Agreement is abandoned.

The agreement expires at the end of this year. Producer countries want it to be renegotiated but consumers say the present pact is adequate. Furthermore consumers accuse producers of breaking the terms of the agreement by refusing a downward revision of natural rubber prices earlier this year.

The ANRPC groups Indonesia, Thailand, Malaysia, Sri Lanka, India, Papua New Guinea and *Singapore*, which together account for more than 80 per cent of the world's natural rubber output.

Mr Sucharit Promdej, the *association's secretary general*, has warned that producers will bring in their own supply curbs and pricing mechanisms if there is no renegotiation of the agreement.

However, producers face a dilemma in that if Inra is abandoned then nearly 200,000 tonnes of natural rubber stockpiled by the International Natural Rubber Organisation's buffer stock manager will start being sold on the open market.

This would put further downward pressure on world natural rubber prices. Inro groups both producers and consumers. An Inro meeting here next month is expected to make a last ditch effort to maintain the agreement.

Brazilian miner still hungry for cash

Bill Hinchberger on a state-company's search for private partners

STARVED OF new investment funds, Companhia Vale do Rio Doce, Brazil's state-controlled mining company, plans to continue its strategy of forming partnerships to maximise investment while minimising it own cash outlays.

The company is capitalising on its mineral rights at already discovered sites to attract private sector investment through partnership deals. A five-year investment plan includes more than $2bn in new investment in five major projects by CVRD and its partners. Three of these are in the mining sector and two are in forestry and wood pulp production, a growth area for the diversifying company.

The mining schemes are all in the northern Amazonian state of Para. One is the resumption of the Alunorte project for the construction of an alumina (aluminium oxide) plant, which was suspended in the mid-1980s. The others are the Salobo project, for the exploitation of a big copper deposit, and the Caulim project, to develop an important kaolin site.

Formal approval from the Ministry of Mining and Energy is not needed for the developments. Last year CVRD signed a "management agreement" with the government that *allows it to operate more like a* private company, provided that it meets specific targets.

Even under that deal, however, CVRD has limited access to investment funds. It has not increased equity capital in more than four years and as a state-owned company it is prevented from securing certain lines of public credit, says Mr Helio Blak, the company's superintendent for development. The joint venture strategy is a way to get around the fact that CVRD's principal shareholder, the state, is unable to consider new investments.

The CVRD strategy also reflects an international trend toward joint mining ventures, says Mr Blak. "This is happening all over the world. . . Everyone wants to dilute his participation in the search for minerals."

The company's approach is to make deals based on its extensive mineral rights, in lieu of laying out scarce capital – witness the Salobo and Caulim projects. "We found the copper and the kaolin and we *are principally entering with* the rights," says Mr Blak.

Most of the expected $765m in new money needed to prepare for copper operations at Salobo will come from CVRD's partner, Morro Velho, a leading Brazilian gold mining company half-owned by Anglo American. The two companies will control equal shares of the venture.

The copper deposit is estimated at 1.2bn tonnes. After the installation of a processing plant it should be producing 150,000 tonnes of copper and eight tonnes of gold a year beginning in 1998.

The kaolin deposit will be exploited with Caulim da Amazonia, part of Caemi, a Brazilian mining group, which will provide most of the projected $295m investment. The 230m-tonne reserve should be producing 500,000 tonnes of high quality coating kaolin, used in the production of high quality paper, by 1995. CVRD will retain a 49 per cent share in the joint venture.

The Alunorte project will involve $500m to $550m of new *investment, bringing the total* outlay to about $880m, according to Mr Blak. It envisions the construction of a 1.1m tonnes-a-year plant to produce alumina, the raw material for aluminium smelting.

Originally a joint venture between CVRD and a consortium of Japanese companies, the Nippon Amazon Aluminum *Company, the plant was 30 per* cent finished when work was halted because the foreign associates baulked at further investment eight years ago. Long negotiations were necessary to coax them back. They will be joined by two new partners: Brazil's Companhia Brasileira de Aluminio and Mineracao Rio do Norte.

With the alumina operation, CVRD, which mines bauxite (aluminium ore), intends to supply the missing link in its aluminium production.

CBoT drops Comex merger plan

By Patrick Harverson in New York

CONSOLIDATION OF the US futures industry has been set back by the collapse of the Chicago Board of Trade's attempt to acquire New York's Commodity Exchange.

Although the two exchanges negotiated a preliminary affiliation agreement in January, the CBoT announced late on Tuesday that it was withdrawing its offer to take over Comex because it expected *Comex traders to reject its* bid.

Mr Patrick Arbor, chairman of CBoT, said: "After weeks of negotiations, we have concluded that we could not modify our original business proposal to satisfactorily address Comex's demand for extended access to our products".

Comex traders were ready to reject the deal primarily because, under the agreement, CBoT would not have allowed them enough access to CBoT's lucrative interest-rate and agricultural futures contracts.

The collapse of the deal is a blow to Comex, the largest metals exchange in the US. Comex has suffered from declining trading volume in recent years, especially in the important gold and silver futures contracts.

Although volume has picked up this year, Comex leaders are still shopping around for possible merger partners.

The failure of CBoT and Comex to agree on an affiliation will disappoint those in the futures industry who *believe that consolidation* through mergers and acquisitions is essential if the established exchanges are to compete effectively with the *rapidly growing over-the-*counter market in futures, options and other derivative contracts.

Shell signs Nigerian oil development contract

By Paul Adams in Lagos

NIGERIA THIS week signed an *oil exploration and production* contract with the local offshoot of Royal Dutch/Shell, the first in a series of such agreements with foreign oil companies that could increase the country's output to 2.5m barrels a day.

The deal marks a welcome success for the Transitional Council, which had pledged to end months of delay over the signing and clear the way for more foreign and private sector investment in the sector.

Similar deals are expected shortly with other foreign oil companies, including Elf Aquitaine, Mobil Corporation, Chevron and Agip and with the alliance of Statoil and BP, whose Nigerian assets were nationalised in 1979. If exploration agreements were made for the 65 new areas, it would help Nigeria to hit its target of 25bn barrels of recoverable reserves by 1995 with no initial outlay by the government.

Shell has set up a new company for exploration and production in new areas, operating purely as a contractor and *taking all the risk in developing* five new exploration blocks awarded by the government in December 1991. Under the new agreement, there is no guaranteed *minimum* nor any upper limit on the foreign operator's earnings. The Nigerian government will receive signature bonuses of $30m each for licensing the two deep offshore blocks and less than $1m each for three large onshore permits in the Benue basin.

The new terms replace the joint ventures with the state-owned *National Petroleum* Corporation in which foreign companies hold minority stakes. Shortage of cash recently forced NNPC to cut investment in these ventures.

Oil Secretary Mr Philip Asiodu said: "Exploration sharing is better for Nigeria because we can save scarce funds for more pressing needs". These include the state monopoly on oil refineries and distribution, which is near to collapse, leading to fuel shortages in most parts of Nigeria.

The new *signing* is also a boost for Shell, the largest foreign investor in Nigeria, which has been caught up in controversy as the technical adviser *on the delayed Liquefied Natu*ral Gas project.

EC to lift livestock import ban

By Lionel Barber in Brussels

THE EUROPEAN Community intends to lift its one-month ban on imports of livestock and dairy products from central and eastern Europe after a foot-and-mouth scare in Italy, Mr Rene Steichen, EC farm commissioner, confirmed yesterday.

The ban will be lifted progressively, *subject to the east*ern Europeans agreeing to tighter controls on export certificates. The EC also wants a 14-day quarantine on live animals so they can be given blood tests.

The EC move aims to defuse an embarrassing dispute with 18 central and eastern European countries, some of whom denounced the original trade ban as a restoration of the Iron Curtain.

Mr Steichen said in Strasbourg that the new code of conduct would require national veterinary authorities to attach number export certificates to East European livestock, so they could subse*quently be traced*.

The EC's and Austria's one-month ban on meat and dairy products imposed earlier this month provoked a furious protest from central and eastern European countries who said there was no sign of foot-and-mouth disease infecting their animals.

Bulgaria, Poland, Hungary and the *Czech* republic imposed tit-for-tat bans, while Slovakia barred the transit of EC livestock. Some affected countries denounced the EC *ban as an excuse to protect* community agricultural producers.

The foot-and-mouth scare began after an outbreak of the *disease was discovered in Italy* and later traced to Croatia, a transit point for goods and produce entering the EC.

Europe's CIS aluminium imports rise 52%

By Kenneth Gooding

ALUMINIUM IMPORTS to western Europe from the Commonwealth of Independent States reached 550,000 tonnes last year, a rise of more than 52 per cent from the 361,185 tonnes imported in 1991 and well over three times the 123,452 tonnes recorded for *1990, according to estimates* from the European Aluminium Association.

Nevertheless, in spite of the output reductions forced on the European industry last year by low prices, for which the CIS imports were at least partly to blame, European production held up reasonably well. The association suggests that it slipped by 5.3 per cent, from 3.53m tonnes to 3.34m tonnes.

The European industry did better than expected because in June the association forecast that 1992 output would drop to 3.28m. In the event, a smooth start-up at Pechiney's *new smelter at Dunkirk in* France helped to compensate for many of the cuts elsewhere in Europe.

However, 1992 produced the *third successive annual fall in* European aluminium production and output was 7 per cent below the peak of 3.6m tonnes reached in 1989.

And so far this year European aluminium production rates have continued to fall. According to the International Primary Aluminium Institute, the output rate of 8,935 tonnes a day in the first quarter of 1993 is equivalent to 3.26m tonnes a year, just above the nine-year low reached early in 1992.

The statistics will provide some ammunition for the association's campaign to have the European Commission impose severe quotas on imports of CIS aluminium to the European Community.

Some analysts suggest, however, that the surge in imports from the CIS has benefited the world-wide aluminium industry by speeding up rationalisation. Mr Nick Moore, analyst with Ord Minnett, part of the Westpac banking group, says: "Our view is that one good thing to arise from the CIS dumping is that it has hastened the necessary rationalis*ation of high-cost European* capacity". Unlike the previous experience in the US – some smelters closed during the last recession but re-opened when prices picked up – "many of the European closures will be permanent – and that can't be bad".

New South Wales coal mine project to go ahead

By Kevin Brown in Sydney

SHELL AUSTRALIA, yesterday announced the go-ahead for a A$270m coal mine at Dartbrook in the Hunter Valley coalfields of New South Wales.

The company said that the mine would produce up to 3.5m tonnes of steam coal a year, increasing the group's Australian output to about 16.5m tonnes.

Dartbrook's production will be exported to customers in the Asia/Pacific region.

The mine will consolidate Shell's position as Australia's third largest coal producer behind Broken Hill Proprietary and CRA, which is in the process of absorbing Coal & Allied, formerly the third largest producer.

Shell is also considering developing another mine at Moranbah North, in central Queensland, which would produce about 3m tonnes of steam coal a year for the export market. However, production is unlikely to start for several years.

WORLD COMMODITIES PRICES

MARKET REPORT

Three-month **COPPER** attempted to consolidate around $1,870 a tonne on the LME after an early fall to a fresh 5½-year low of $1,820 and subsequent sharp rally back towards $1,880. However, *sentiment remains shattered after* the hefty battering prices have taken over the last two weeks, and selling was starting to build up by the close. Other metals ended mixed after mostly trading routinely throughout the day. Three-month **NICKEL** built on an early break above $6,000 a tonne. London's robusta **COFFEE** market continued its downward path. Dealers said the mood remained very gloomy, depressed by rising stocks in the US, sluggish demand and the prospect of a slightly larger Brazilian crop being shipped soon. "Coffee hasn't got a friend in the world," one dealer said. **GOLD, PLATINUM** and **SILVER** weakened on the London bullion market, but **PALLADIUM** held its early gains, and was fixed in the afternoon at $115 a troy ounce. Palladium's rise – after trading at around $111 for most of last week and this – came from a combination of factors, dealers said. "It is in very short supply, although not as badly as a month ago," one dealer said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.45-6.48u	+.105
Brent Blend (dated)	$18.62-8.65	+.150
Brent Blend (Jun)	$18.92-8.95	+.110
W.T.I (1 pm est)	$20.35-0.40u	+.045
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$208-211	+1
Gas Oil	$180-182	
Heavy Fuel Oil	$77-79	+0.5
Naphtha	$181-183	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$339.05	-1.20
Silver (per troy oz)♣	389.5c	-2.0
Platinum (per troy oz)	$367.0	-4.1
Palladium (per troy oz)	$115.0	+0.5
Copper (US Producer)	88.5c	-1.5
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	14.11r	
Tin (New York)	257.0c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	136.99p	+0.21*
Sheep (live weight)†♠	136.46p	-4.55*
Pigs (live weight)†	88.11p	-4.57*
London daily sugar (raw)	$271.1	+1.3
London daily sugar (white)	$294.0	-1.0
Tate and Lyle export price	£287.0	+2.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£164.5	-2.5
Wheat (US Dark Northern)	Unq	
Rubber (May)♥	58.00p	
Rubber (Jun)♥	58.50p	
Rubber (KL RSS No 1 May)	209.5m	-2.0
Coconut oil (Philippines)§	$405.0y	-5.0
Palm Oil (Malaysian)§	$380.0u	+2.5
Copra (Philippines)§	$262.5	-2.5
Soyabeans (US)	£178.5z	+3.5
Cotton "A" Index	61.45c	-0.3
Wooltops (64s Super)	353p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jun/Jul u-May. z-Apr/May v-Jun ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	-	-	-
White	**Close**	**Previous**	**High/Low**
Aug	297.00	298.20	299.00 296.00
Oct	282.50	283.20	283.70 281.30
Aug	288.00		286.50
Oct	281.00		278.50

Turnover: Raw - (-) lots of 50 tonnes. White 787 (603) Paris- White (FFr per tonne): Aug 1620.33 Oct 1549.15

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jun	18.93	18.80	18.98 18.89
Jul	18.93	18.83	18.95 18.87
Aug	18.96	18.89	18.99 18.96
Sep	19.02	18.97	19.04 19.00
Nov	19.12	19.05	19.12 19.12
Dec	19.15	19.05	19.17 19.12
Jan	19.14		19.14 19.13
Feb	19.15		19.15 19.13
IPE Index	18.80	18.77	

Turnover 17445 (20231)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
May	176.75	175.25	177.50 175.75
Jun	174.25	173.50	175.00 174.00
Jul	174.00	173.75	175.00 174.00
Aug	175.25	174.75	176.00 175.25
Sep	177.50	177.00	178.00 177.25
Oct	180.25	179.75	180.75 180.00
Nov	182.25	181.75	182.50 182.00
Dec	184.00	183.50	184.25 183.75
Jan	183.50		184.00

Turnover 8780 (11111) lots of 100 tonnes

WOOL

Prices continued to follow the easier tendency apparent before the Easter recess in the Australian selling, when sales were resumed in Melbourne and Brisbane this week. China was a prominent buyer but overall demand remained insufficient to match offerings. Stockpile sales have for many weeks been entirely *negligible* in market significance and the emphasis is on over production of wool with no early indication of a better balance, unless it is for a brief market upturn reacting to such an exceptionally long downward trend. The AWC market indicator was at another new low point of 401 cents a kg on April 21.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
May	671	672	672 664
Jul	685	685	685 676
Sep	699	699	699 692
Dec	718	719	717 710
Mar	736	735	736 730
May	751	752	750 745
Jul	764	766	766
Sep	778	779	781 775

Turnover: 5667 (8185) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 20 709.79 (713.31) 10 day average for Apr 21 715.78 (717.59)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
May	878	885	886 874
Jul	859	867	864 855
Sep	855	859	858 852
Nov	861	864	865 860
Jan	870	872	874 869
Mar	880	882	881

Turnover: 3333 (3842) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 20: Comp. daily 50.37 (49.71) 15 day average 50.83 (50.93)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	92.5	93.0	

Turnover 0 (12) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	139.50	137.50	
Aug	140.50	138.50	

Turnover 0 (75) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Apr	1525	1517	1525 1515
May	1505	1495	1506 1500
Jun	1400	1397	1405 1397
Jul	1289	1280	1289 1280
Oct	1400	1385	1400 1390
Jan	1425	1405	1425
BFI	1508	1499	

Turnover 450 (213)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
May	145.25	144.75	145.25 144.75
Jun	146.55	145.75	146.55 146.00
Sep	108.00	107.75	108.00
Nov	110.30	109.75	110.30 110.00
Jan	113.10		113.10
Mar	115.85		115.85 115.80
May	118.75	118.40	118.75
Barley	**Close**	**Previous**	**High/Low**
May	141.55	140.50	141.65 141.25
Sep	109.75		109.75
Nov	109.25		109.25

Turnover: Wheat 395 (308), Barley 31 (15).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
May	113.0	113.5	
Jun	110.0	110.0	

Turnover 0 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,462 lots
Cash	1102-3	1096-6		1104.5-5.0		
3 months	1125-6	1121-2	1127/1116	1127-7.5	1127-8	160,405 lots
Copper, Grade A (£ per tonne)						Total daily turnover 62,372 lots
Cash	1205.5-7.5	1196-7		1205-6		
3 months	1227-8	1218-8.5	1223/1185	1225-6.5	1220-1	175,777 lots
Lead (£ per tonne)						Total daily turnover 3,795 lots
Cash	273-3.5	271-2	270.5	272-2.5		
3 months	282.5-3.5	281.5-1.75	282/280	282.5-3.0	281.5-2.0	20,891 lots
Nickel ($ per tonne)						Total daily turnover 6,255 lots
Cash	5960-5	5865-75	5852	5935-45		
3 months	6025-30	5930-5	5980/5880	6000-5	5948-50	48,624 lots
Tin ($ per tonne)						Total daily turnover 868 lots
Cash	5555-65	5545-55	5544	5560-5		
3 months	5615-20	5605-10	5620/5590	5615-7	5605-10	9,258 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,566 lots
Cash	1009-10	1003.5-4.5	1002	1109-10		
3 months	1028-9	1022.5-3.5	1027/1016	1030-1	1023-4	66,705 lots

LME Closing £/$ rate: SPOT: 1.5365 3 months: 1.5260 6 months: 1.5158 9 months: 1.5086

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	338.90-339.20	
Opening	338.80-339.10	
Morning fix	339.15	219.685
Afternoon fix	339.00	220.173
Day's high	339.40-339.70	
Day's low	338.70-339.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.55	6 months	2.38
2 months	2.50	12 months	2.36
3 months	2.46		

Silver fix	p/troy oz	US cts equiv
Spot	254.10	391.15
3 months	257.75	394.05
6 months	261.00	397.20
12 months	269.25	403.90

GOLD COINS

	$ price	£ equivalent
Krugerrand	338.50-341.50	219.00-221.00
Maple leaf	348.90-351.15	-
New Sovereign	80.50-83.50	52.00-54.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Aug	May	Aug
1075	37	65	1	8
1100	17	47	5	14
1125	5	32	19	24
Copper (Grade A)	**Calls**		**Puts**	
1800	84	135	20	58
1850	53	108	39	80
1900	30	84	68	105
Coffee	**May**	**Jul**	**May**	**Jul**
850	26	40	-	31
900	1	21	23	62
950	-	12	72	103
Cocoa	**May**	**Jul**	**May**	**Jul**
700	-	23	30	38
725	-	15	56	55
750	-	10	80	75
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1850	51	87	10	24
1900	20	34	27	-
1950	6	18	61	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	339.5	339.9	339.0	338.8
May	340.0	340.4	0	0
Jun	340.7	341.1	340.9	339.8
Aug	342.0	342.4	342.0	341.4
Oct	343.3	343.7	343.1	343.1
Dec	344.5	345.0	344.5	343.8
Feb	346.0	346.5	346.0	345.6
Apr	347.4	347.9	346.9	346.9
Jun	348.8	349.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	373.2	376.2	372.5	372.5
Jul	368.2	371.2	368.5	364.6
Oct	366.7	369.7	366.0	366.0
Jan	365.7	368.7	363.0	363.0
Apr	365.4	368.4	368.0	365.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	390.4	392.4	0	0
May	390.7	392.7	392.0	386.5
Jun	392.0	394.0	0	0
Jul	393.3	395.4	394.5	389.0
Sep	395.9	398.0	398.5	392.5
Dec	399.7	401.8	401.9	396.0
Jan	400.1	402.2	0	0
Mar	403.6	405.7	405.0	401.0
May	406.1	408.2	404.5	404.5
Jul	409.1	411.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	82.60	81.40	82.60	82.60
May	82.80	81.65	84.00	82.35
Jun	83.10	82.00	83.00	83.00
Jul	83.50	82.30	84.50	83.00
Aug	83.80	82.65	0	0
Sep	84.15	83.10	85.20	83.70
Oct	84.35	83.35	0	0
Nov	84.65	83.70	0	0
Dec	85.00	84.10	86.30	84.90
Jan	85.20	84.30	86.10	86.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.39	20.32	20.45	20.33
Jul	20.54	20.46	20.59	20.49
Aug	20.64	20.56	20.69	20.60
Sep	20.69	20.63	20.75	20.67
Oct	20.72	20.68	20.75	20.72
Nov	20.74	20.71	20.80	20.74
Dec	20.75	20.73	20.80	20.75
Jan	20.73	20.72	20.76	20.73
Feb	20.72	20.71	20.77	20.72
Mar	20.71	20.70	20.73	20.71

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	55.35	55.13	55.65	55.15
Jun	55.56	55.26	55.70	55.40
Jul	55.90	55.68	56.00	55.60
Aug	56.60	56.29	56.60	56.40
Sep	57.56	57.29	57.56	57.45
Oct	58.55	58.27	58.55	58.40
Nov	59.50	59.17	59.50	59.45
Dec	60.40	60.05	60.40	60.30
Jan	60.75	60.45	60.75	60.75
Feb	60.65	60.25	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	885	883	895	866
Jul	918	914	920	897
Sep	945	939	947	928
Dec	979	975	979	967
Mar	1012	1007	1003	997
May	1036	1033	1024	1024
Jul	1061	1056	0	0
Sep	1079	1078	1079	1073
Dec	1109	1108	1101	1101

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	52.15	53.35	53.30	52.00
Jul	54.20	55.15	55.10	54.10
Sep	56.10	57.00	57.00	56.10
Dec	59.15	59.95	59.80	59.00
Mar	61.50	62.75	62.40	61.50
May	63.30	64.15	63.75	63.75
Jul	65.00	65.85	65.70	65.00
Sep	66.65	67.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	11.18	10.95	11.24	11.03
Jul	11.66	11.67	11.83	11.53
Oct	11.53	11.60	11.61	11.40
Mar	10.72	10.78	10.80	10.66
May	10.65	10.73	10.73	10.65
Jul	10.65	10.76	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	62.35	62.67	62.75	62.05
Jul	62.50	62.79	63.10	62.30
Oct	62.25	62.56	62.50	62.15
Dec	61.30	61.65	61.80	61.20
Mar	62.30	62.60	62.40	62.20
May	63.00	63.30	63.20	63.00
Jul	63.40	63.90	0	0
Oct	63.50	63.65	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	87.90	89.50	90.30	87.75
Jul	91.40	92.90	93.60	91.30
Sep	94.35	96.00	96.50	94.25
Nov	96.65	98.20	98.10	97.00
Jan	99.05	100.65	99.75	99.10
Mar	101.05	102.15	101.70	101.40
May	101.05	102.15	0	0
Jul	101.05	102.15	0	0
Sep	101.05	102.15	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr.21	Apr 20	mnth ago	yr ago
1656.5	1660.2	1758.5	1603.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr.19	Apr 19	mnth ago	yr ago
Spot	121.34	121.29	126.29	115.88
Futures	124.06	125.08	130.36	118.17

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	590/4	590/4	591/0	587/6
Jul	591/6	593/2	592/2	589/6
Aug	593/4	594/6	593/4	591/6
Sep	594/0	596/0	594/0	592/0
Nov	597/0	599/2	598/0	595/2
Jan	603/6	605/4	604/0	602/0
Mar	610/0	612/0	610/6	609/0
May	615/0	615/4	615/0	612/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.15	21.10	21.18	21.05
Jul	21.36	21.39	21.44	21.30
Aug	21.48	21.48	21.54	21.43
Sep	21.57	21.55	21.63	21.50
Oct	21.68	21.65	21.73	21.60
Dec	21.84	21.80	21.93	21.80
Jan	21.88	21.90	21.95	21.88
Mar	22.08	22.12	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	184.2	184.9	184.8	183.9
Jul	185.4	186.4	186.3	185.1
Aug	186.2	187.1	186.9	186.0
Sep	187.0	188.0	187.8	186.8
Oct	187.7	188.4	188.2	187.3
Dec	189.5	190.4	190.0	189.1
Jan	190.1	190.8	190.2	189.7
Mar	190.8	191.4	190.8	190.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	228/0	231/2	230/2	227/4
Jul	233/6	237/4	236/0	233/0
Sep	238/2	242/0	241/2	237/6
Dec	243/6	247/6	246/4	243/0
Mar	250/2	254/2	253/0	249/4
May	254/0	257/6	255/6	254/0
Jul	257/4	260/6	258/2	256/6
Dec	250/4	252/4	251/0	249/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	362/6	358/6	363/0	358/0
Jul	310/6	311/4	311/0	308/6
Sep	313/6	314/4	314/0	311/6
Dec	323/0	324/0	323/6	321/6
Mar	328/0	329/0	328/0	327/0
Jul	317/4	317/0	317/4	317/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	82.025	81.475	82.050	81.500
Jun	76.100	75.225	76.175	75.300
Aug	73.425	72.775	73.500	72.800
Oct	74.175	73.850	74.225	73.825
Dec	74.400	74.200	74.400	74.175
Feb	73.825	73.600	74.050	73.800
Apr	74.825	74.850	74.950	74.650

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	46.350	46.150	46.550	45.750
Jun	52.275	52.125	52.600	51.875
Jul	51.100	51.175	51.400	50.975
Aug	48.650	48.600	48.875	48.550
Oct	43.275	43.225	43.450	43.150
Dec	44.250	44.275	44.450	44.250
Feb	44.450	44.525	44.500	44.400
Apr	43.400	43.450	0	43.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	46.775	46.100	47.125	46.000
Jul	47.800	47.050	48.100	46.950
Aug	45.850	44.750	46.100	44.750
Feb	42.250	41.975	42.500	41.800
Mar	41.625	41.300	41.700	41.625
May	41.300	0	0	0
Jul	42.100	0	41.600	0

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Bid talk drives equities higher

By Steve Thompson

RECENT market speculation that a substantial corporate deal or straight takeover bid is about to hit the London market refused to die down and continued to drive share prices sharply higher. The bid story was said to have provided the late impetus in the Footsie future, which closed at a 10-point premium to fair value over the cash market.

London's recent strong performance – the FT-SE 100 Index has risen by more than 45 points in the past three trading sessions – was all the more impressive against a background of renewed weakness on Wall Street at the opening of trading in New York yesterday and continuing uncertainty about German interest-rate policy.

A meeting is scheduled this morning at the Bundesbank at which a decision whether to maintain or cut interest rates will be taken.

The FT-SE 100 Index settled a net 13.5 higher at 2,869.6, slightly outperforming the FT-SE Mid 250 Index, which moved up 18.4 to 3,115.9. Dealers were encouraged by the latest good turnover numbers for the equity market which showed 737.7m shares traded on the day, with Footsie 100 stocks accounting for turnover of 275m and non-Footsie 100's attracting turnover of 472m shares.

The turnover was given a substantial boost by the placing, via a bought deal, of 36.9m shares in Meggitt Holdings, the engineering group, by BTR. Allowing for double counting of the shares, to include the buying and selling of the stake, the deal lifted turnover by 74m shares.

Ironically, BTR has been viewed as one of the most likely predators waiting to strike in the market. Lucas Industries was again mentioned as a likely target.

Other bid candidates included many of the building materials stocks. Already given a massive boost by ever-increasing evidence of recovery in the UK housing market, the sector remained among the best performers in the FT Actuaries indices amid persistent stories that MB Caradon might be about to launch its long-expected move into the building materials arena. In a long list of outstanding performers Hepworth, Heywood Williams, Marley and Tarmac were prominent. Housebuilders posted hefty gains with Taylor Woodrow heavily traded and, rather surprisingly, attracting vague takeover speculation. Barratt Development and Bryant also attracted good exceptionally heavy support.

The main thrust behind the Footsie 100, however, came from the drugs sector where big rises in the likes of ICI, Glaxo, Wellcome and SmithKline Beecham accounted for over nine index points. The drug stocks encountered very heavy US support overnight as US investors increasingly adopted the view that the shares have been oversold in recent weeks.

Mining group RTZ was the worst performer in the Footsie 100 responding to an earnings downgrade by Warburg Securities. BAT Industries, the tobacco to insurance group, was also under pressure.

A utilities sector badly mauled in the recent past provided two firm features in the Scottish generators which responded to positive comments by Goldman Sachs, the highly influential US investment bank. Sedgwick, the insurance broker, was given a boost by a Smith New Court buy recommendation.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group	7,400	68½	-½	Courtaulds	1,600	561	+1	Lonrho	1,800	84½	+½	Shell Transport	2,500	584	+1½
Abbey National	4,700	380	-6	Dalgety	684	442	+6	Lucas	6,000	134½	+2½	Siebe	877	473	+6
Albert Fisher	1,800	71		De La Rue	25	887	+3	MB Caradon	[illegible]	297		Slough Ests	1,400	166	
Allied-Lyons	998	568	-3	Dixons	1,000	212	+1	MEPC	492	370	-11	Smith (W.H.) A	604	435	+3
Amstrad	1,200	35½		Eastern Elect.	1,000	484	+4½	Manweb	168	541	+8	Smith & Nephew	2,300	145½	+1½
Anglian Water	873	517	-4	East Midland Elect.	994	459	+1	Marks & Spencer	3,500	356	+2	SmKl Beecham	4,100	468	+24
Argos	215	309	-1	Eng China Clays	886	431	-3	Midlands Elect.	498	497		SmKl Beecham Uts.	6,700	411	+22
Argyll Group	2,100	342	-2	Enterprise Oil	441	495	-4	Morrison (Wm.)	1,000	152	-1	Smiths Inds.	2,500	347	+17
Arjo Wiggins	2,800	187	+3	Eurotunnel Units	113	420	-4½	NFC	1,200	255	+7	Southern Elect.	853	480	+5
Ass. Brit. Foods	381	461	+7	FKI	3,500	127	+4½	NatWest Bank	4,500	475	+3	South Wales Elect.	717	548	+8
Ass. Brit. Ports	115	382		Fisons	4,300	165	+3	National Power	2,500	345	+2½	South West Water	830	530	-3
BAA	949	788	-5	Foreign & Col. IT	785	222½		Next	3,600	163	-1½	South West. Elect.	72	511	+7
BAT Inds.	2,800	880	-15	Forte	4,100	199	+5	North West Water	1,700	507	-2	Southern Water	438	524	-5
BET	47,000	99	-½	Gen. Accident	1,000	577	-2	Northern Elect.	115	529	+3	Standard Chartd.	1,500	746	+6
BICC	2,200	380	+14	General Elect.	6,700	315	-3	Northern Foods	[illegible]	282		Storehouse	2,800	202	+4
BOC	999	720	+4	Glaxo	7,200	599	+19	Norweb	67	527	+1	Sun Alliance	1,100	333	-4
BP	5,800	302		Glynwed Int.	1,100	298	+6	Pearson	2,900	414	+2	T&N	2,000	174	+2
BPB Inds.	3,000	225	+4	Granada	526	400		P & O	2,000	565	+10	TI Group	3,500	304	+5
BT	6,900	427	+2	Grand Met.	4,000	420	-2	Pilkington	[illegible]	130	+3	TSB	7,200	169	+2
BTR	3,500	619	+3	GUS A	886	1854	+21	PowerGen	2,000	349	+1½	Tarmac	5,200	141	+1
Bank of Scotland	1,000	134	+1	GRE	2,200	177	-1	Prudential	[illegible]	330	-1	Tate & Lyle	1,800	412	-1
Barclays	4,200	433	+6	GKN	1,000	467	+5	RMC	689	671	+10	Taylor Woodrow	6,600	113	+10
Bass	855	539	-4	Guinness	2,100	485	-5	RTZ	4,800	631	-27	Tesco	4,000	227	+7
Berisford Int.	0	128		HSBC (75p shs)	1,400	687	+11½	Racal	2,000	221	+5	Thames Water	959	528	-2
Blue Circle	1,500	238		Hammerson 'A'	773	289	-12	Rank Org.	1,600	704	+5	Thorn EMI	1,000	885	-10
Booker	122	371	-8	Hanson	6,000	237¼	+2¼	Reckitt & Colman	830	582	-5	Tomkins	1,800	348	+1
Boots	4,300	491	+5	Hanson Warrants	7,600	25	+½	Redland	2,300	449	+1	Trafalgar House	3,500	81½	+2½
Bowater	718	498		Harrisons Crosfield	3,900	170	+6	Reed Intl.	1,200	698	-6	Unigate	670	360	-3
Brit. Aerospace	2,300	298	-1	Hillsdown	7,600	153	-3	Rentokil	867	215		Unilever	1,600	1124	-6
British Airways	987	284	+1	IMI	1,600	285	+3	Reuters	[illegible]	1282	+11	United Biscuits	671	384	-2
British Gas	7,200	303½	-1	ICI	4,400	1236	+41	Rolls Royce	821	136	+1	Utd. Newspapers	735	593	+7
British Land	188	350	-4	Inchcape	826	608	-2	Rothmans	184	638	+10	Vodafone	1,300	380½	+½
British Steel	8,200	91½	-1	Johnson Matthey	190	447	+8	Ryl Bk Scotland	4,700	262	+3	Warburg (SG)	344	663	-1
Bunzl	1,400	195	+5	Kingfisher	1,800	589	-3	Royal Insurance	1,300	318	+2	Wellcome	3,400	784	+30
Burmah Castrol	495	721	+2	Kwik Save	674	755	+6	Saatchi	809	172		Welsh Water	89	568	-1
Burton	3,500	79½		Ladbroke	5,600	177	+5	Sainsbury	4,300	489	+6	Wessex Water	71	628	
Cable & Wire.	937	728	-5	Land Securities	1,700	525	-5	Scottish & New.	1,100	470	+6	Whitbread 'A'	519	452	+1
Cadbury Schweppes	1,200	473	+8	Laporte	718	636	+5	Scot. Hydro-Elec.	6,900	342	+5	Williams Hldgs.	2,800	334	+13
Calor Group	9	265		Legal & General	1,900	458	-4	Scottish Power	4,200	320½	+4	Wills Corroon	508	184	-1
Carlton Comms.	417	780	+3	Lloyds Abbey	2,400	433	+10	Sears	2,000	104½	-½	Wimpey	5,600	169	+11
Coats Viyella	6,300	244		Lloyds Bank	4,400	535	-5	Sedgwick	775	164	+4	Wolseley	383	568	-1
Comm. Union	517	618		LASMO	5,400	150	-1	Seeboard	[illegible]	516	+10	Yorkshire Elect.	47	532	+5
Cookson	3,700	205		London Elec.	318	480	+4	Severn Trent Water	[illegible]	505	-3	Yorkshire Water	43	564	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Mar 29	Apr 19	May 10
Option Declarations:	Apr 15	May 6	May 20
Last Dealings:	Apr 16	May 7	May 21
Account Day:	Apr 26	May 17	Jun 1

*New time dealings may take place from 8.30am two business days earlier.

BTR sells Meggitt stake

TAKEOVER speculation surrounding BTR intensified after it placed its 17.2 per cent stake in engineering group Meggitt. In a bought deal, Smith New Court, Meggitt's broker, is believed to have purchased the 36.9m shares from BTR at 100p cum-dividend, placing between 11m and 12m at 101p cum-div, and the remainder, around 25m, at 98p xd.

Although Meggitt was said to have initiated the deal, the move led to increased speculation that the proceeds from the sale would go towards BTR's takeover war chest. Lucas Industries remains the market's favourite bid target for BTR but there was some suggestion that it may be Pilkington, which escaped its clutches after a bitter and acrimonious £1.2bn battle six years ago.

BTR firmed 3 to 619p, and Meggitt, which also benefited from a buy circular from its broker earlier this week, firmed ½ to 101p. The bid speculation continued to boost Lucas and it added 2½ at 134½p in trade of 6m, while Pilkington ended 3 better at 130p on volume of 5.5m.

RTZ downgrade

Heavy falls in the price of copper led to a sharp decline in the price of RTZ shares as one of the leading securities houses cut its profit forecasts and advised clients to sell. RTZ shares were the worst performers in the FT-SE 100 Index halling 27 to 631p.

Global copper prices quoted in London hit a five-and-a-half year low yesterday prompting S.G. Warburg to cut its current year estimate of average prices for the key industrial metal by 10 cents to 95 cents a pound. RTZ is the world's second biggest producer of copper and Warburg subsequently slashed its 1993 profits estimate for the mining group by £70m to £575m. The house also reduced its recommendation on the stock from hold to reduce.

ICI surges

The release of the pathfinder prospectus for the demerger of ICI's bioscience business Zeneca coincided with a sharp jump in the share price.

The rise of 41 to 1236p on healthy turnover of 3.2m shares was however inspired by US buying rather than new information. US brokerage houses PaineWebber and Goldman Sachs were both bidding aggressively for stock.

UK analysts said they had discovered no new causes for optimism in the prospectus and many argued that by the close ICI shares were at best very fairly valued. In fact the performance was a sign of things to come being more driven by reconsideration of the pharmaceuticals sector than corporate fundamentals. The reconsideration was prompted by an easing of fears over US drug price reforms.

There were reports that Ms Donna Shalala, new US secretary of health and human services had reacted favourably to a proposal by Merck, the world largest pharmaceuticals group, that prices should be held to within one percentage point of inflation. This compared to some estimates of 30 per cent price cuts and helped stocks pick up across the board.

Glaxo moved ahead 19 to 599p, Wellcome added 30 at 764p and SmithKline Beecham gained 24 to 468p in the 'A's. The combined rises accounted for around 9.3 points of the rise in the FT-SE 100 Index yesterday.

Builders buoyed

Building and construction stocks rose strongly for a second consecutive session as investors responded to this week's results from Abbey National. The building society reported buoyant house sales in the first quarter and this, coupled with similarly positive views from some house builders recently has boosted the sectors' rating.

Moreover, building analysts believe the rises will be sustained in construction stocks, although most think contractors and materials shares will struggle to hold present levels. "Construction stocks have a very substantial upside," said Mr Jonathan Timms at Charterhouse Tilney. "By the end of next year, we expect the sector, currently standing at 76 to the All-Share, to be back on a one-for-one rating."

Mr Howard Procter at Panmure Gordon, who is also bullish on the house builders, added that the outlook for the contracting and building materials markets remained dull and that the indiscriminate rise across the sectors would give way to more selected buying.

Both houses like Wimpey, up 11 at 169p, with Panmure also tipping Raine, ahead 7 at 100p and Persimmon, 10 better at 272p. Among other risers, J Laing added 17 to 269p and Taylor Woodrow 10 to 113p in turnover of 6.6m. Among materials, Ibstock Johnson gained 5 to 61p, Marley 6 to 132p, and Spring Ram, another Charterhouse choice, 4 to 75p.

Strong demand for Williams Holdings followed a meeting at James Capel on Tuesday evening. The shares jumped 15 to 336p before coming off the top to close 13 up 334p, as 2.8m shares were traded. US selling was blamed for the retreat in Danka Business where the shares fell 36 to 590p.

A turnaround in results from Helical Bar and an upbeat statement helped the shares leap 16 to 186p.

Following dismal results on Tuesday, Hammerson continued to decline on the back of negative comments and fading bid hopes. The shares fell 12 to 289p. NatWest Securities suggests an asset value of 250p.

The cloud over Hammerson pulled down other leading property stocks. MEPC lost 11 to 370p and Land Securities 5 to 525p.

A relief factor was said to be driving Ladbroke Group forward as it emerged that the company's off-balance sheet debt would be far less than some had had feared. Ladbroke put the figure at £80m, well below bearish suggestions of up to £250m. NatWest Securities reinforced its view that the stock had been oversold on the worries and said 'buy'. The shares gained 5 to 177p, pulling up Forte 5 to 199p.

Standard Chartered rose 6 to 746p helped by a recommendation from broker Hoare Govett based on the benefits of sterling depreciation in 1992 coming through in 1993.

Tobacco to insurance group BAT Industries dropped 15 to 880p after Philip Morris reported a 1.1 per cent fall in first quarter US cigarette sales.

The rise in electricity stocks continued but water stocks marked time. Among the Recs, the smaller stocks shone, with Seeboard ahead 10 to 516p, South Wales 8 to 548p and Northern 3 to 529p. Scottish generators were said to be being pushed by Goldman Sachs. Scottish Power added 4 to 320½p and Scottish Hydro-Electric 5 to 342p.

Chemicals group Ellis & Everard rose 12 to 195p following a well received lunch for institutional investors hosted by Hoare Govett.

In the media sector, United Newspapers was one of the best performers as S.G. Warburg continued its re-examination of the area by issuing a buy recommendation, arguing that at a 15 per cent discount to the sector and with a near five per cent yield it, "provides a potent cocktail of recovery potential and high income." The shares rose 7 to 593p.

Mirror Group recommended by the house on Tuesday added a further 4 at 142p on heavy turnover of 11.4m shares. Bid stories have continued to circulate around the stock although they have been largely dismissed by analysts.

Thames Television fell 5 to 174p after announcing a £67.5m loss after extraordinary costs. The slide was softened by speculation over bid interest from Pearson, up 2 at 414p.

Among food retailers, second-line stocks stole the limelight, taking the opportunity to catch up with the majors. Iceland Frozen Foods climbed 5 to 694p and Kwik Save 6 to 755p.

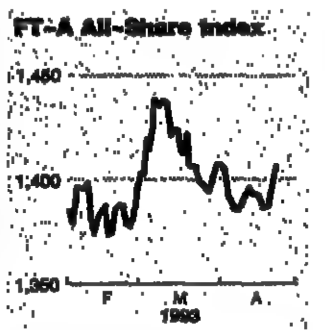
Dealers in Smiths Industries brushed aside the decline in interim figures and were instead encouraged by the increase in the dividend and a positive analysts' meeting. The shares jumped 17 to 347p.

Glynwed International put on 6 to 298p, with Williams de Broe upgrading forecasts.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

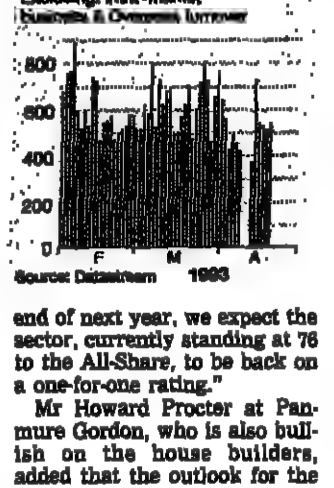
■ Other market statistics, Page 23

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Source: Datastream 1993

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (144).
BANKS (5) Can. Pacific, **BANKS (5)** Anglo Irish, Standard Chartered, TSB, Toyo, Westpac, **BLDG MATLS (9)** Anglian, Heywood Williams, Do Pf., Marley, Meyer, Pilkington, RMC, Tarmac, Unigroup, **CONTG & CONSTRCN (23)** Avonside, Barratt Devlpt., Bellway, Berkeley, Boot (H), Bryant, Costain, Countryside, Eve, Gleeson, Hewden-Stuart, Higgs & Hill, Laing (J), Do N/V, Maunders, Mowlem, Persimmon, Severfield-Reeve, Taylor Woodrow, Westbury, Wilson Bowden, Wilson (C), Wimpey (G), **ELECTRICALS (3)** Delta, Ericsson, Kembrey, **ELECTRONICS (10)** Bowthorpe, Druck, Electron House, Eurotherm, Forward, Gresham, Logica, P & P, Racal, Telemetrix, **ENG GEN (7)** Aerospace Eng., BSS, Clyde Blowers, Hall, Mining & Allied Spls., Vickers, Vosper Thornycroft, **FOOD MANUF (2)** Barr (AG), Tesalt, **FOOD RETAILING (1)** Greggs, **HEALTH & HSEHOLD (2)** Huntleigh, Kitty Little, **HOTELS & LEIS (1)** Kunick, **INV TRUSTS (23)** Abtrust New Dawn, Do Wts., Do B Wts., Abtrust New Thai, Do Wts., British Empire Secs., CST Emerging Asia, Drayton Korea, Do Wts., Fleming Emrg. Mkts., Fleming Far Eastern, Gartmore Emrg. Pacific Wts., Genesis Malaysia Maju, Govett Oriental, Henderson Strata, New Frontiers 6½pc Ln. '10, River & Merc. Geared Pf., SPRAIT Wts., St David's Cap., Scottish Asian Wts., Singapore SESDAQ, Sth. America Fund Wts., Sumit, **MEDIA (5)** Mirror, News Intl., Ports. & Sunderland, Taylor Nelson, Ulster TV, WPP, **MTL & MTL FORMING (2)** Bilston (J), Glynwed, **MISC (3)** BLP, Christies, Gt. Southern, **MOTORS (2)** Burndene, First Technology, **OIL & GAS (3)** Bow Valley, Fairhaven, Presidio, **OTHER FINCL (5)** Cattle's, Govett, Natl. Home Loans, Prov. Financial, Tyndall Australia, **OTHER INDLS (3)** BTR, Do Wts. '94-95, Do Wts. '95-96, **PACKG, PAPER & PRINTG (4)** Bemrose, Capital Inds., Gibbon Lyons, Kleenfold, **PROP (8)** Bradford, Ests. & General 8pc Pf., Helical Bar, Regalian, Whny. Mackay-Lewis, Wood (JD), **STORES (7)** Amber Day, Ashley (L), Church, Dunhill, GUS, Menzies (J), Moss Bros., **TEXTS (4)** Jacques Vert, Jerome, Sherwood, Yorklyde, **TRANSPORT (3)** Dawsongroup, Powell Duffryn, TNT, **MINES (8)** Antofagasta 5pc Pf., Bisichi, Konmare, Minorco, Monarch, Do Cv. '93, Normandy Poseidon, PosGold, Southwest.
NEW LOWS (28).
AMERICANS (2) Cadiz, Data General, **BUSINESS SERVS (1)** Sketchley, **CHEMS (1)** Anglo Utd., **CONTG & CONSTRCN (1)** SB & EA, **ELECTRICALS (1)** Maddox, **ENG GEN (3)** BM, Benson, EIS, **FOOD MANUF (1)** Sims, **FOOD RETAILING (3)** Low (Wm), Morrison 5½pc Pf., Thorntons, **HEALTH & HSEHOLD (3)** AAH, Creighton, Reckitt & Colman, **INV TRUSTS (1)** Gartmore Scot. Inc., **MISC (2)** Applied Holographics, Pentland, **OTHER FINCL (2)** Consld. Afsx. 3 & U 31½pc Pf., **PROP (1)** Haming Baker Harris, **TEXTS (2)** Lyles (S), Stoddard, **MINES (1)** RTZ.

FINANCIAL TIMES EQUITY INDICES

	April 21	April 20	April 19	April 16	April 15	Year ago	*High	*Low
Ordinary share	2243.5	2224.9	2208.6	2202.4	2205.8	2034.8	2299.5	2124.7
Ord. div. yield	4.11	4.18	4.16	4.19	4.18	4.46	4.52	4.11
Earning yld % full	6.18	6.25	6.30	6.32	6.30	6.40	6.35	5.79
P/E ratio net	20.04	19.85	19.71	19.64	19.71	19.67	22.04	19.57
P/E ratio nil	18.71	18.54	18.47	18.34	18.41	18.34	20.30	18.25
Gold Mines	121.2	121.5	112.1	112.0	109.8	111.9	134.5	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2228.7	2231.5	2242.4	2235.5	2239.2	2240.7	2239.1	2240.4	2241.3	2243.7	2228.7

Volume	April 21	April 20	April 19	April 16	April 15	Year ago
SEAQ Bargains	29,698	27,514	28,287	32,516	30,362	35,229
Equity Turnover(£m)†	-	1151.9	1061.9	1192.2	1295.3	1571.0
Equity Bargains†	-	33,004	32,480	37,858	32,235	48,374
Shares traded (mil)†	-	548.0	515.5	539.4	547.9	613.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

BID speculation, and vague hopes that today's Bundesbank council meeting may bring a cut in German interest rates, boosted trading in stock index futures, writes Joel Kibazo.

Buyers of the June FT-SE 100 futures contract were in evidence early in the session. Having opened at 2,875, just ahead of the previous night's close, June moved steadily ahead for the rest of the morning, with overseas institutions, said to believe the UK market was undervalued, reported to have been among the buyers.

A poor opening on Wall Street subsequently unnerved the futures, causing a temporary decline, but a squeeze later in the afternoon pushed June to the day's high of 2,891.

Profit-taking approaching the close left June finishing at 2,888, up 15 from Tuesday's close and some 11 points above its fair value premium to cash of around 8 points. Turnover improved from recent levels, reaching 8,472 lots.

The volume in traded options continued to increase and totalled 29,560 contracts. Both the FT-SE 100 option and the Euro FT-SE option were busy and traded 9,074 and 5,594 lots respectively.

Wellcome, one of the day's strong performers in the equity market, was the most active among the stock options and had a total of 1,510 contracts dealt. It was followed by Hanson, in which 1,307 lots were transacted.

FT-SE Actuaries Share Indices THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2869.6 +13.5	3115.9 +18.4	1406.33 +7.13

	Apr 21	Day's change %	Apr 20	Apr 19	Apr 16	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2869.6	+0.5	2856.1	2830.0	2824.4	2607.8	6.33	3.97	20.10	38.73
FT-SE Mid 250	3115.9	+0.6	3097.5	3074.4	3072.3	2654.2	6.56	3.73	19.27	31.93
FT-SE-A 350	1422.9	+0.5	1415.8	1403.4	1401.0	1275.4	6.38	3.92	19.91	17.42
FT-SE SmallCap	1561.87	+0.6	1552.23	1546.18	1545.81	–	4.72	3.85	30.50	15.62
FT-SE SmallCap ex Inv Trusts	1570.14	+0.7	1559.27	1552.03	1551.66	–	5.23	3.87	28.43	16.17
FT-A ALL-SHARE	1406.33	+0.5	1399.20	1387.48	1386.07	1258.58	6.28	3.90	20.33	17.02
1 CAPITAL GOODS(213)	969.31	+0.6	963.86	954.28	955.52	864.89	5.53	3.97	23.74	13.65
2 Building Materials(27)	1021.86	+1.4	1007.85	988.03	994.32	1086.78	5.07	4.77	27.98	16.49
3 Contracting, Construction(29)	947.13	+4.1	909.61	886.49	889.54	998.32	2.75	3.50	80.00†	9.96
4 Electricals(15)	2759.31	+1.8	2710.85	2678.35	2722.94	2604.65	5.42	4.90	23.48	65.13
5 Electronics(37)	2879.95	—	2880.97	2844.97	2865.37	1874.44	5.91	2.98	21.39	18.34
6 Engineering-Aerospace(7)	357.76	+1.4	352.77	347.96	341.65	378.84	5.74	4.01	23.12	3.60
7 Engineering-General(51)	555.03	+1.0	549.48	546.62	548.63	524.89	6.91	3.82	18.39	7.00
8 Metals & Metal Forming(11)	399.15	—	399.21	404.13	402.52	351.66	4.35	3.08	33.44	0.66
9 Motors(18)	393.30	+0.9	389.69	390.98	390.90	350.49	5.21	5.61	27.44	9.47
10 Other Industrials(18)	2077.28	–0.6	2090.18	2075.58	2086.97	1747.22	5.70	3.95	21.53	36.77
21 CONSUMER GROUP(234)	1663.56	+0.9	1649.44	1629.56	1632.24	1685.33	6.92	3.39	18.00	17.03
22 Brewers and Distillers(28)	1938.84	–0.4	1946.80	1930.81	1943.92	2067.09	8.31	3.72	14.72	20.00
25 Food Manufacturing(22)	1366.48	–0.2	1368.55	1364.05	1373.12	1280.57	7.46	3.70	16.96	21.23
26 Food Retailing(18)	2986.06	+0.1	2983.71	2952.06	2966.80	2857.59	8.58	3.36	15.16	16.46
27 Health & Household(20)	3526.62	+3.4	3409.80	3321.21	3293.87	4119.98	6.51	3.22	17.77	32.64
29 Hotels and Leisure(20)	1289.17	+0.5	1282.13	1269.18	1301.94	1398.26	5.58	4.54	24.44	25.07
30 Media(33)	1898.80	+0.4	1890.38	1882.46	1887.57	1596.66	5.31	2.70	23.22	22.13
31 Packaging and Paper(24)	865.83	+0.6	861.07	853.57	853.18	801.86	6.15	3.37	20.02	9.27
34 Stores(39)	1173.80	+0.6	1166.85	1151.24	1143.70	1096.20	6.19	2.96	21.39	6.86
35 Textiles(20)	805.75	+0.3	803.18	805.62	802.30	733.73	6.32	3.80	20.13	10.78
40 OTHER GROUPS(142)	1485.53	+0.4	1480.75	1479.97	1472.11	1284.48	8.20	4.19	15.02	16.00
41 Business Services(27)	1629.96	–0.1	1631.56	1619.99	1614.60	1395.99	5.50	3.08	22.43	12.73
42 Chemicals(23)	1509.51	+1.9	1481.85	1472.22	1472.10	1573.95	5.87	4.87	21.13	24.53
43 Conglomerates(11)	1434.87	+1.0	1421.26	1413.24	1418.56	1420.93	7.31	5.24	15.43	18.55
44 Transport(16)	2846.90	+0.3	2839.28	2840.72	2850.94	2589.15	7.82	3.95	15.83	42.36
45 Electricity(16)	1760.50	+0.9	1745.42	1734.54	1720.78	1270.13	12.31	4.09	10.44	29.90
46 Telephone Networks(4)	1746.66	+0.2	1743.37	1723.66	1701.78	1401.46	7.54	3.67	17.38	1.63
47 Water(13)	3532.98	–0.4	3546.81	3473.84	3438.68	2750.82	12.78	4.70	8.69	11.83
48 Miscellaneous(32)	2299.58	–0.8	2318.59	2328.28	2313.90	1967.84	7.03	4.42	17.72	41.41
49 INDUSTRIAL GROUP(589)	1445.18	+0.6	1436.00	1422.01	1420.82	1354.10	7.09	3.78	17.61	16.09
51 Oil & Gas(16)	2452.82	—	2453.32	2462.30	2464.72	2093.86	6.80	4.72	21.86	27.46
59 "500" SHARE INDEX(607)	1525.09	+0.6	1526.47	1513.84	1512.88	1424.42	6.96	3.89	17.97	17.11
61 FINANCIAL GROUP(88)	1003.85	+0.3	1001.17	990.40	987.53	725.90	3.31	4.22	51.92	18.17
62 Banks(5)	1391.34	+0.8	1379.83	1353.78	1344.18	919.98	4.83	3.87	31.70	28.94
65 Insurance (Life)(6)	2022.03	–0.4	2029.18	2028.34	2030.40	1452.52	2.53	4.41	48.05	47.49
66 Insurance (Composite)(7)	651.84	–0.3	653.84	649.01	651.40	481.37	‡	4.78	‡	15.60
67 Insurance Brokers(10)	778.75	+0.5	774.52	767.92	778.41	936.81	7.36	5.03	18.26	11.10
68 Merchant Banks(6)	835.83	–0.1	836.71	836.89	841.23	491.15	7.31	3.46	17.78	4.71
69 Property(28)	762.51	–1.3	772.52	781.01	782.14	865.78	6.23	5.20	21.70	4.02
70 Other Financial(23)	355.54	+0.2	354.77	353.78	353.86	246.92	6.60	4.81	20.12	3.29
71 Investment Trusts(108)	1463.15	+0.2	1460.11	1449.85	1446.34	1211.63	2.27	2.81	44.00	12.37
99 FT-A ALL-SHARE(804)	1406.33	+0.5	1399.20	1387.43	1386.07	1258.58	6.28	3.90	20.33	17.02

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2863.0	2864.9	2873.8	2864.4	2869.4	2869.4	2867.0	2869.1	2869.8	2875.2	2862.8
FT-SE Mid 250	3098.2	3104.7	3111.5	3109.8	3112.0	3113.6	3113.5	3113.9	3116.0	3116.0	3098.2
FT-SE-A 350	1418.6	1419.9	1424.0	1420.2	1422.4	1422.6	1421.8	1422.6	1422.9	1424.6	1418.6

Time of FT-SE 100 high: 09.43 ; low: 08.31

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrn	1795.5	1827.4	1860.5	1867.9	1868.3	1867.8	1868.5	1868.5	1867.4	1867.9	1779.3	+88.6
Health&H	1042.2	1050.1	1050.5	1058.8	1058.9	1058.8	1062.8	1065.5	1064.2	1061.9	1020.5	+38.0
Water	1468.0	1469.5	1468.8	1464.5	1465.1	1465.3	1465.0	1462.0	1459.8	1459.2	1463.3	-8.1
Banks	1880.1	1884.4	1888.6	1884.5	1889.3	1890.4	1889.4	1890.4	1889.1	1890.7	1876.7	+14.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or –	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 12½pc 1993‡‡	[illegible]	——	[illegible]	[illegible]	12.21	6.71
Funding 6pc 1993‡‡	[illegible]	——	[illegible]	[illegible]	[illegible]	5.74
Treas 13¾pc 1993‡‡	[illegible]	——	[illegible]	[illegible]	13.19	5.87
8½pc 1994	[illegible]	——	[illegible]	[illegible]	8.34	5.88
14½pc 1994‡‡	[illegible]	——	[illegible]	[illegible]	13.55	5.96
Exch 13½pc 1994	[illegible]	——	[illegible]	[illegible]	12.58	5.99
Treas 10pc Ln 1994‡‡	[illegible]	——	[illegible]	[illegible]	9.60	6.08
Exch 12½pc 1994	[illegible]	——	[illegible]	[illegible]	11.57	6.18
Treas 9pc 1994‡‡	[illegible]	——	[illegible]	[illegible]	8.65	6.27
12pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	10.89	6.41
Exch 3pc Gas 90-95	[illegible]	[illegible]	[illegible]	94	3.12	5.08
10¼pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	9.51	6.49
Treas 12¾pc 1995‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.18	6.60
14pc 1996	118	[illegible]	[illegible]	[illegible]	11.85	6.73
15¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	12.42	6.84
Exch 13¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.29	6.85
Conversion 10pc 1996	[illegible]	[illegible]	[illegible]	108	9.10	6.94
Treas 13¼pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.03	7.07
Exch 10½pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	9.40	6.98
Treas 8¾pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	8.21	6.95
Exch 15pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	11.58	7.23
9¾pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	8.88	7.15
Five to Fifteen Years						
Treas 7¼pc 1998‡‡	[illegible]	——	[illegible]	[illegible]	7.16	6.98
Treas 6¾pc 1995-98‡‡	[illegible]	[illegible]	101	[illegible]	6.75	6.85
15½pc '98‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.44	7.43
Exch 12pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	10.01	7.66

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

Notes	Price £	+ or –	1993 high	1993 low	Yield Int.	Yield Red.
Ireland Cap 8½pc '10	104¼	–⅛	104½	95	8.19	-
9pc Cap 1998	103½	–⅛	103¾	97½	8.70	-
13pc '97-2	116¾	——	117	110	11.18	-
Hydro Quebec 15pc 2011	144¾	+⅛	148¾	139¾	10.39	9.70
Leeds 13½pc 2006	132½	——	135¼	128	10.19	9.23
Liverpool 3½pc Irred	36	——	37	34	9.72	-
LCC 3pc '20 Aft	32	——	33½	30½	9.39	-
Manchester 11½pc 2007	117¾	——	120¼	114	9.77	9.28
Met. Wtr. 3pc 'B'	68¾	——	68	63¼	4.46	7.86
N'wide Anglia 3⅝pc 2021	128¼	——	128¼	117½	-	4.58
4⅝pc IL 2024	123½	——	124½	115½	-	4.47
Utd Mex States 16½pc 2008	138¼	——	139	132¼	12.11	11.79

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¾xd	+7/16	20 7/16	15 13/16	14,541	2.7
Allegheny & W.	♥	509p	—	571p	399p	264.5	4.1
Amdahl		375p	—	591p	375p	421.1	1.8
Amer Cyanamid		34	+½	38⅝	31¾	3,085	3.3
Amer Express		18⅛xd	-⅜	19½	14⅞	8,894	3.8
Amer T & T		37½xd	-1⅛	40⅝	33⅛	49,871	2.4
Ameritech		51⅛	+⅛	52¾	46	22,349	4.9
BankAmerica		32⅞xd	-1⅛	38⅛	28⅞	11,307	3.0
Bankers NY		45⅝xd	-1	51⅞	42⅝	3,922	4.4
Bell Atlantic		35¾	+½	39⅛	32¼	15,478	5.2
BellSouth		36⅝	-¼	39⅞	33½	18,092	5.2
Bethlehem Steel	♥	12⅛xd	+½	13¾	10	1,887	—
Bowater		1497pxd	—	1662p	1335p	836.6	1.8
CPC		27¼xd	+⅞	34⅝	26⅞	4,127	3.2
Cadiz Land Inc	♥	53p	-12	110p	53p	—	—
California Engy		1393p	—	1478p	1086p	253.6	—
Chase Manhattan		21⅜xd	-⅜	24½	17⅝	3,398	3.9
Chrysler		25⅛xd	-1⅞	29⅞	21¼	7,632	1.6
Citicorp		15⅝xd	-¼	20⅞	13⅞	6,908	—
Colgate-Palm		38xd	+⅛	45⅝	35¼	6,087	2.2
Cont'l Bank		1642p	-39	1877p	1278p	1,659	2.5
Dana		32xd	+⅛	34⅛	29⅞	1,469	3.4
Data General		667p	-4	861p	667p	184.1	—
Decora Inds.	♥	114p	+5	146p	109p	—	—
Dun & Brad		39½	+1¼	42⅞	37¼	7,040	4.0
Eaton		59¼	-⅜	59⅝	50⅝	2,048	2.6
Echlin		16⅛xd	-⅛	18⅝	15⅛	924.2	3.0
FPL		24⅞xd	-⅜	27⅞	23¼	4,394	7.1
Ford Motor		34⅞	-⅞	39⅞	28⅞	16,809	2.0
Gen Elect		61⅝xd	-⅜	62⅞	53⅞	52,390	2.9

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

For Wassmans see Bolt Wassmen

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	‡□	194½	+1	201	183	3.8	232.0	16.1
Warrants	□	45	—	49	38	–	–	–
Scot Mortgage	‡†□	190½	+1	201	178	2.6	219.0	13.1
Scot National Inc	‡□	91	—	95½	83	10.3	–	–
Cap	□	26	—	28	18	–	66.6	61.0
Stepped Pf		162¼	—	165¼	160¼	5.0	–	–
Zero Div Pf		207	–½	212	207	–	–	–
Warrants		3½	—	5	3	–	–	–
Scot Value	†a	79½	—	79¾	71	2.8	74.7	–6.4
Sec Alliance	‡†	1436	—	1565	1390	3.2	1601.4	10.7
Second Consid	□	104	—	112	88	–	179.9	42.2
Second Market	s	323xd	—	324	266	0.8	364.5	11.5
Sec Tst Scot	‡□	81½	—	84½	74½	6.1	83.9	3.2
Select Assets		123	—	130	109½	1.2	166.7	26.2
Eq Ind Ser I		131	—	134	128	4.1	–	–
Eq Ind Ser II		131	—	134	128	4.1	–	–
SHIRESCOT	sH	122	—	125	104	5.4	119.0	–2.5
Shires	‡	256	+1	262	231	8.0	250.0	–2.4
11pc Cv Ln '03/04		£125½	+1½	£131½	£115½	8.8	–	–
Stem Select		134	—	135	97	0.2	143.4	6.5
Warrants		38	—	38	16	–	–	–
Smaller Cos	□	106	—	107	78	3.1	109.4	3.6
Warrants		27	—	27	14	–	–	–
Sphere Inc	□	20xd	+½	21½	14	19.4	31.6	36.3
Zero Div Pf		85	+½	85¼	80¾	–	–	–
Suedit		55	+2	55	38	3.2	89.9	38.8
TR City of Lon	□	135xd	+1	140¼	126	4.4	130.7	–3.1
TR Euro Growth	‡□	102	—	109	76	1.7	112.8	10.0
Ptg Sub		55	—	58	27	3.1	–	–
TR Far East Inc	‡†□	131	—	139	112	4.3	133.6	1.9
Warrants		32½	+½	38½	22	–	–	–
TR High Inc		111	—	118	102	6.8	114.6	3.1
Sub	g	29	—	31	25	6.5	–	–

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

MOTORS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

OIL & GAS

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Europa Mnls		16	—	19	15	7.72	–
Glencar Expl I£	†‡	7	—	8	5	1.29	–
Greenwich Res	‡□	13	—	16½	6	10.0	–
Hemlo Gold C$		84½	—	95	23½	447.8	2.2
Ivernia West I£	†‡□	[illegible]	—	57	31	25.1	–
Kenmare	‡□	10	–¼	13½	6	12.6	–
Malinga Res		18½	—	25½	[illegible]	1.71	–
Navan Res I£	‡	31	—	34	25	4.16	–
5pc Ln Notes		28	—	34	25	5.09	–
Oryx Gold		64	—	71	47	–	–
RTZ	‡□	631	–27	709	601	6,335	4.1
Vizcaya	‡	[illegible]	—	[illegible]	2¼	3.05	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ◆ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ Free annual/interim report available, see details below.
- § USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension.
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ‡ . Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT9660. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

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Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✝) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1				071-407 5966		
Income	5	389.72	389.72	414.6	+1.50	4.29
Global Inc	5	57.6	57.6	61.49	+0.35	3.15
Brit Leaders	5	312.27	312.27	332.2	+2.50	2.14
Intl Leaders	5	183.27	183.27	194.97	+0.87	0.67
[illegible]	3½	52.65	54.02	58.13	-0.13	2.83
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF				081-663 3003		
European Trust	6	52.40	52.58xd	55.89	+0.3	1.24
Far Eastern Tst	6	58.22	59.02	62.78	+0.34	0.69
Smaller Cos	5	148.2	151.0	160.6	+0.8	1.85
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS				071-637 5377		
S & W American	5	251.9	251.9	284.4	-4.49	0.72
S & W Capital	5	116.1	116.1	124.2	-0.20	1.76
S & W Cash	0	100.42	100.42xd	100.42	+0.01	5.31
S & W European	5	113.1	113.1	119.7	-0.40	1.29
S & W Far Eastern	5	134.0	136.2xd	143.0	-0.90	0.12
S & W Growth	5	125.6	127.3	134.6	+0.30	1.30
S & W Income	5	111.5	112.6xd	119.1	+0.60	4.50
S & W Magnum	5	122.7	122.7	131.5	-0.20	1.83
S & W Smllr Secs	5	303.2	309.3xd	327.3	+0.40	0.71
S & W Thoroughbred	5	142.0	142.0xd	152.1	-0.20	1.80
Societe Generale Touche Remnant (1200)F						
3 Finsbury Ave, EC2M 2PA				071-410 4029		
American Gwth	5¼	78.02	78.02xd	83.44	-0.65	0
Eur Sp Sits Acc	5¼	46.59	46.59	49.56	-0.10	0
Eur Sp Sits Inc	5¼	44.00	44.00xd	46.81	-0.09	0
Far East Opps Inc	5¼	29.77	29.77	32.05	+0.67	0
Far East Opps Acc	5¼	30.59	30.59	32.93	+0.65	0
General Growth	5¼	97.87	97.87	104.70	+0.70	2.02
General Growth Acc	5¼	100.30	100.30	107.40	+0.70	2.01
Global Tech	5¼	107.50	107.50	[illegible]	[illegible]	[illegible]

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	163.5	173.0	+1.5	-
Accum Equity	250.5	264.0	+2.0	-
Accum Managed	263.0	277.5	+1.5	-
Accum Five Star	196.0	207.0	-2.5	-
Accum World	143.5	151.5	+0.5	-
Accum Emerg Mkts	226.0	238.5	+1.5	-
Pens Acc Equity	278.5	293.5	+2.0	-
Pens Acc Managed	346.5	365.5	+2.5	-
Pens Acc Emerg Mkts	268.0	282.5	+2.0	-
Pens Acc Deposit	234.0	246.5	—	-
Pens Acc Five Star	221.0	233.0	-4.0	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 766888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	266.3	281.0	+2.2	-
UK Fixed Int Acc	222.6	234.9	+0.2	-
Intl Equities Acc	225.3	237.7	+0.1	-
UK Managed Acc	193.3	203.9	+0.6	-
Property Acc	221.2	233.4	—	-
Money Acc	145.6	153.9	—	-
Special Market Acc	187.6	197.9	+1.2	-
Japan Equity Acc	115.6	122.0	-0.4	-
North American Acc	145.6	153.6	-1.6	-
Pacific Acc	136.2	143.7	+0.6	-
European Acc	123.5	130.3	+1.3	-
Hong Kong Acc	117.4	123.9	+3.3	-
Int Fixed Interest Acc	74.0	78.1	—	-
Int Managed Acc	69.9	73.7	+0.1	-
HIP Managed II Acc	130.3	136.8	+0.5	-
HIP Managed III Acc	131.0	138.1	+1.1	-
Balanced Growth Acc	115.9	122.2	+0.4	-
Building Society		100.0	—	4.33
Total Investment Bond				
UK Equity Initial		178.1	+1.4	-
UK Fixed Int Initial		148.2	+0.2	-
Intl Equities Initial		149.7	+0.1	-
UK Managed Initial		129.5	+0.3	-
Property Initial		149.2	—	-
Money Initial		98.2	—	-
Special Market Initial		143.2	+0.9	-
Japan Equity Initial		88.2	-0.4	-
North American Initial		111.2	-1.3	-
Pacific Initial		103.9	+0.5	-
European Initial		105.9	+1.1	-
Hong Kong Initial		110.3	+3.0	-
Int Fixed Interest Init		70.4	—	-
Int Managed Init		66.6	—	-
HIP Managed II Initial		116.5	+0.5	-
HIP Managed III Init		128.3	+1.2	-
Balanced Growth Init		111.6	+0.4	-
Smoothed Perf Init		109.4	+0.6	-
Broker Funds				
High Performance	91.4	96.4	+0.1	-
Tyndall Mngd Fd Acc	50.5	50.2	—	-
YRA Executive Fd	107.8	113.7	+0.5	-
IM Balanced	66.3	66.3	+0.3	-
HJF Speculator Fd		129.0	-1.6	-
AAFS Int Man Fund		134.2	-0.1	-
Andrews-Green Inv Port		91.1	-0.2	-
MAM Growth		118.6	-1.0	-
Sterling Low Risk Income		120.1	-0.1	-
Stg Low Risk Inc Ser 1		99.9	-0.2	-
Individual Pension Funds				
UK Equity Acc	296.2	312.5	+2.4	-
UK Fixed Interest Acc	295.4	311.7	+0.3	-
Intl Equities Acc	288.0	303.9	+0.1	-
UK Managed Acc	215.2	227.0	+1.1	-
Property Acc	204.9	216.2	-	-
Money Acc	191.3	201.8	+0.1	-
Special Market Acc	307.8	324.7	+1.8	-
Japan Equity Acc	183.3	193.4	-0.7	-
North American Acc	177.8	187.6	-1.6	-
Pacific Acc	264.2	278.7	+2.6	-
European Acc	143.8	151.5	+1.8	-
Hong Kong Acc	136.2	143.7	+4.0	-
Int Fixed Interest Acc	84.4	83.1	—	-
Int Managed Acc	75.4	79.5	+0.1	-
Balanced Growth Acc	111.5	117.6	+0.4	-
Smoothed Perf Acc	109.0	115.2	+0.6	-

Royal Heritage Life Assurance Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Unit Trust Funds				
Gartmore Global Ser B	226.1	238.0	-0.1	-
Gartmore NA Ser B	149.8	157.7	—	-
Gartmore Pacific Ser B	420.2	442.4	—	-
Henderson Acc Ser B	230.3	242.5	-0.8	-
Perpetual Mng Ser B	256.7	270.3	-0.4	-
Framlington Mix Ser B	220.9	232.6	-0.5	-
Gartmore Mngd Ser B	255.7	269.2	—	-
Gartmore Euro Ser B	164.1	172.8	—	-
Gartmore Global Ser D		148.2	-0.1	-
Gartmore NA Ser D		174.7	—	-
Gartmore Pacific Ser D		227.1	—	-
Henderson Acc Ser D		175.3	-0.6	-
Perpetual Mng Ser D		193.1	-0.3	-
Framlington Mix Ser D		161.7	-0.4	-
Gartmore Mngd Ser D		216.4	—	-
Gartmore Euro Ser D		129.1	—	-
Baring Funds				
Eastern	282.8	297.7	+3.3	-
European Smlr Cos	163.2	171.8	-1.0	-
Managed	182.8	192.5	+0.3	-
Gartmore Funds				
British	323.6	340.7	+3.0	-
European	219.6	231.2	-1.0	-
Frontier Markets	145.8	153.5	+3.6	-
Global Bond	113.1	119.1	+0.8	-
Gold Ind Resources	55.4	58.4	+1.0	-
High Inc	260.1	273.8	—	-
Hong Kong	311.1	327.5	+5.6	-
Income	395.6	416.5	+1.8	-
Japan	386.7	407.1	+0.1	-
UK Smlr Cos	279.7	294.5	+1.7	-
Man Gth	402.5	423.8	+2.7	-
Global Inc & Gwth	154.7	162.9	+0.6	-
Pacific Growth	251.4	264.7	+4.6	-
INVESCO MIM				
European Smaller	139.3	146.7	-0.7	-
Sth & East Asia Gwth	264.0	277.9	+6.1	-
Inc Growth	281.0	295.8	+0.6	-
Japan Smlr Cos	218.7	230.3	-2.1	-
Man Growth	225.4	237.3	+0.6	-
Gilt	78.4	82.6	+0.3	-
Perpetual Funds				
International Growth	131.0	135.9	-0.4	-
American Growth	189.6	199.6	-1.7	-
Intl Emerging Cos	178.1	187.5	+1.5	-
European	165.0	173.7	-1.7	-
Managed	165.5	174.3	+0.3	-

Royal Life Insurance Ltd
New Hall Place, Liverpool L69 3HS 051-239 3000

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Shield Fd	854.6	904.3	—	-
Royal Life (Unit Linked Assurances) Ltd				
Managed Fund	342.2	360.2	+1.7	-
Equity Fund	478.7	503.8	+4.4	-
Property Fund	247.0	260.0	—	-
International Fund	394.3	415.0	-0.6	-
Gilt Fund	327.6	344.8	+0.2	-
Money Fund	210.9	222.0	—	-
United States Fund	208.7	219.8	+0.6	-
Pacific Basin	229.5	241.6	-4.3	-
Royal Life (Unit Linked Pension Fds) Ltd				
Exempt Man Fd Acc	398.9	419.8	+2.4	-
Exempt Equity Fd Acc	717.4	755.1	+7.6	-
Exempt Prop Fd Acc	260.7	274.4	+0.1	-
Exempt Intl Fd Acc	618.5	651.0	-0.2	-
Exempt Gilt Fd Acc	385.0	405.2	+0.2	-
Exempt Money Fd Acc	286.6	301.6	—	-

Royal Liver Assurance
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	70.3	74.0	+0.1	-
Global Equity	53.4	56.2	+0.2	-
High Yield	65.6	69.0	+0.3	-
Intl Equity	69.5	73.2	-0.1	-
Fixed Interest	71.3	75.0	-0.6	-
Money	73.9	77.8	+0.1	-
Managed	70.5	74.2	-0.1	-
Pensions				
UK Equity	74.7	78.6	+0.1	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

هكذا من الأصل

هكذا من الأجل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, St. Helier, Jersey 0534 74888						
Capital House International Growth Funds Ltd						
Equities						
UK Equity	5½	£1.478	1.478	1.589	-0.005	-
North American	5½	£1.723	1.723	1.829	-0.004	-
Japanese	5½	£1.636	1.636	1.738	-0.005	-
Pacific Basin	5½	£3.139	3.198	3.382	+0.003	-
Continental Europe	5½	£2.432	2.432	2.581	-0.006	-
Gold	5½	£0.930	0.830	0.983	-0.003	-
Bonds						
Sterling Bond	5½	£1.924	1.924	2.040	-0.002	6.43
International Bond	5½	£2.213	2.213	2.347	-0.002	4.63
US Dollar Bond	5½	£1.666	1.666	1.767	—	4.32
Currencies						
£ Sterling	0	£31.09	31.09	31.09	+0.07	5.05
US$	0	$20.59	20.59	20.59	—	2.01
Japanese Yen	0	¥4000	4000	4000	—	2.77
D Marks	0	DM69.99	69.99	69.99	+0.02	7.31
Ecu's	0	Ecu33.81	33.81	33.81	+0.01	8.40
Managed						
Intl Portfolio	5½	£1.906	1.907	2.024	-0.008	0.00
Managed Currency	5½	£2.463	2.463	2.607	-0.002	1.24
Gartmore Fund Managers International Ltd						
PO Box 278, 45 La Motte St, Jersey 0534 27536						
Capital Strategy Fund Ltd (x)						
American Fd		$	2.0190		[illegible]	-
Canadian Fd		C$	0.9713		[illegible]	-
British Fund		£	2.9720		[illegible]	3.00
European Fund		DM	5.0890		[illegible]	-
Asia Pacific Fd		$	3.0440		[illegible]	-
Japan Fund		Y	587.2000		[illegible]	-
Australasian Fd		A$	0.4050		[illegible]	2.00
Global Resources		$	0.7331		[illegible]	1.25
Emerging Mkts Fd		$	2.0940		[illegible]	0.90
Int Growth Fund		$	3.4770		[illegible]	0.50
Sterling Bond Fd		£	1.1840		[illegible]	6.85
ECU Bond Fund		Ecu	0.9765		[illegible]	7.03
Int Bond Fund		$	1.3220		[illegible]	4.94
US$ Deposit Fd		$	1.0030		—	2.05
Sterling Deposit Fd		£	[illegible]		—	[illegible]
[illegible]						

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar shrugs off M3 figures

THE DOLLAR remained firm against the D-Mark yesterday despite the release of German money data implying that the Bundesbank was unlikely to cut rates at its council meeting today, *writes James Blitz.*

German M3 money supply grew at an annualised rate of 3.2 per cent in March after contracting by 0.3 per cent the previous month. The March figure contrasted with economists' expectations of a 1 per cent rise in M3 money growth.

A particular concern for the market was the growth in German bank lending, which showed a rise of 9 per cent when annualised over the last six months. Although the Bundesbank has said it will be holding a press conference after its council meeting today, the data underlined that there would probably be no cut in the discount rate.

The news from Germany failed to depress the dollar, however. The US currency closed at DM1.6050 from a previous DM1.6000.

In part, this may have been due to continued short-covering of dollar positions by dealers who had oversold the US currency in recent weeks. The market may also have been awaiting the outcome of today's council meeting before deciding what to do.

The D-Mark did not strengthen much against most European currencies, in spite of the German money supply figures. The French franc closed at FFr3.377 to the D-Mark from a previous FFr3.379. Dealers remained optimistic about the parity between the franc and the D-Mark in the European exchange rate mechanism in the run-up to today's summit between Chancellor Helmut Kohl and Mr Edouard Balladur, the French prime minister.

Sterling closed ½ pfennig weaker against the D-Mark yesterday at DM2.4650. Some dealers said they were waiting for today's unemployment figures and tomorrow's retail sales numbers before deciding what to do about sterling.

According to Mr Jeremy Hawkins of Bank of America in London, the market is expecting the March unemployment figure to be on the high side following February's net drop of 22,000 on the month.

The peseta was weaker against the D-Mark in European trading yesterday, in spite of heavy Bank of Spain intervention to support the currency.

Some dealers said that comments from the governor of the Bank of Spain, who predicted that the ERM might face further instability, had weakened the Spanish currency. After dropping to Pta72.48 at one stage, the peseta closed at Pta72.37 from a previous Pta72.31.

Despite another strong rally by the yen in Wednesday's Tokyo trading, the dollar managed to recover in Europe, helped by heavy intervention from the Bank of Japan. After hitting another historic high of Y109.90 against the dollar in Tokyo, the yen closed weaker in Europe at Y111.05.

£ IN NEW YORK

Apr.21	Latest	Previous Close
£ Spot	1.5380-1.5390	1.5470 1.5480
1 month	0.37-0.36pm	0.38 0.37pm
3 months	1.08-1.06pm	1.09 1.07pm
12 months	4.02-3.92pm	3.97 3.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Apr.21	Previous
8.30	am	80.3	80.2
9.00	am	80.3	80.3
10.00	am	80.3	80.3
11.00	am	80.2	80.2
Noon		80.2	80.3
1.00	pm	80.2	80.3
2.00	pm	80.3	80.3
3.00	pm	80.2	80.3
4.00	pm	80.1	80.3

CURRENCY RATES

Apr 21	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.914834	0.789738
U.S Dollar	3.00	1.42008	1.21620
Canadian $	6.37	1.78501	1.52815
Austrian Sch	7.00	15.8559	13.7137
Belgian Franc	7.00	46.4005	40.1223
Danish Krone	10.00	8.64453	7.47353
D-Mark	7.50	2.25370	1.94956
Dutch Guilder	7.00	2.53848	2.19061
French Franc	10	7.59632	6.58327
Italian Lira	11.50	2163.71	1865.69
Japanese Yen	2.50	157.012	135.034
Norway Krone	-	9.66260	8.25898
Spanish Peseta	-	[illegible]	141.200
Swedish Krona	11.50	N/A	9.02175
Swiss Franc	5.00	2.08506	1.77178
Greek Drach	19	N/A	285.143
Irish Punt	-	N/A	0.799866

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Apr.20

CURRENCY MOVEMENTS

Apr 21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	80.1	-29.69
U.S Dollar	64.1	-14.20
Canadian Dollar	95.2	-6.63
Austrian Schilling	114.9	+18.75
Belgian Franc	115.6	+1.76
Danish Krone	116.6	+12.38
D-Mark	126.0	+31.95
Swiss Franc	110.8	+16.69
Dutch Guilder	119.4	+21.08
French Franc	110.3	-8.22
Lira	79.2	-35.63
Yen	170.5	+110.13
Peseta	97.5	-25.84

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Apr.20

OTHER CURRENCIES

Apr 21	£	$
Argentina	1.5375 - 1.5400	0.9995 - 1.0005
Australia	2.1536 - 2.1555	1.3980 - 1.3990
Brazil	45319.6 - [illegible]	[illegible] - 29435.0
Finland	8.4845 - 8.5360	5.5575 - 5.5775
Greece	333.110 - [illegible]	[illegible] - 219.600
Hong Kong	11.8995 - 11.9120	7.7290 - 7.7300
Iran	2553.00 - 2558.00	1848.00 - 1850.00
Korea(Sth)	1219.30 - 1238.95	792.70 - 798.90
Kuwait	0.46300 - [illegible]	[illegible] - 0.30150
Luxembourg	50.75 - 50.85	33.00 - 33.10
Malaysia	3.9570 - 3.9675	2.5720 - 2.5730
Mexico	4.7680 - 4.7710	3.0920 - 3.0940
N.Zealand	2.8490 - 2.8530	1.8475 - 1.8500
Saudi Ar	5.7695 - 5.7810	3.7485 - 3.7505
Singapore	2.4915 - 2.4980	1.6195 - 1.6205
S.Af (Cm)	4.8750 - [illegible]	[illegible] - 3.1680
S.Af (Fn)	7.1085 - 7.1240	4.6100 - 4.6200
Taiwan	40.00 - 40.15	25.95 - 26.05
U.A.E.	5.6495 - 5.6525	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Irish Punt	0.808628	0.799866	-1.25	1.76	48
Spanish Peseta	142.150	141.200	-0.67	1.18	12
Dutch Guilder	2.20045	2.19061	-0.45	0.96	14
Belgian Franc	40.2802	40.1223	-0.39	0.91	11
Portuguese Escudo	180.624	180.218	-0.23	0.74	4
D-Mark	1.95294	1.94956	-0.17	0.68	0
Danish Krone	7.44934	7.47353	0.32	0.18	-23
French Franc	6.54988	6.58327	0.51	0.00	-36

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US, Canada, Netherlands, Belgium, Denmark, Ireland, Germany, Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, Switzerland, Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†, Ireland†, Canada, Netherlands, Belgium, Denmark, Germany, Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, Switzerland, Ecu†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Apr 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling, US Dollar, Can. Dollar, Dutch Guilder, Swiss Franc, D-Mark, French Franc, Italian Lira, Belgian Franc, Yen, Danish Krone, Asian $Sing, Spanish Peseta, Portuguese Esc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: [illegible]

EXCHANGE CROSS RATES

Apr.21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.536	2.465	170.5	8.326	2.242	2.770	2353	1.932	50.60	178.4	1.262
$	0.651	1	1.605	111.0	5.420	1.460	1.803	1531	1.258	33.07	116.1	0.822
DM	0.406	0.623	1	69.17	3.377	0.910	1.124	954.2	0.784	20.61	72.37	0.512
YEN	5.865	9.009	14.46	1000.	48.83	13.15	16.25	13795	11.33	297.9	1046	7.402
F Fr.	1.201	1.845	2.961	204.8	10.	2.693	3.327	2825	2.321	61.02	214.3	1.516
S Fr.	0.446	0.685	1.099	76.05	3.713	1	1.238	1049	0.862	22.66	79.57	0.563
H Fl.	0.361	0.555	0.890	61.55	3.005	0.809	1	849.1	0.697	18.34	64.40	0.456
Lira	0.425	0.653	1.048	72.49	3.540	0.953	1.178	1000.	0.821	21.60	75.85	0.537
C $	0.518	0.795	1.276	88.25	4.309	1.160	1.434	1217	1	26.29	92.34	0.653
B Fr.	1.968	[illegible]	[illegible]	[illegible]	16.38	4.413	5.453	4630	3.803	100.	351.2	2.484
Pta	0.561	0.861	1.382	95.57	4.666	1.257	1.553	1318	1.083	28.48	100.	0.707
Ecu	0.792	1.217	1.953	135.1	6.597	1.777	2.195	1864	1.531	40.25	141.4	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100; Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE / LONDON (LIFFE) / CHICAGO / PARIS contracts				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls May	Calls June	Calls September	Puts May	Puts June	Puts September
116	-	-	-	-	0.14	0.59
117	-	0.96	1.50	0.07	0.38	0.90
118	0.09	0.38	0.96	0.60	0.79	-
119	0.02	0.11	0.58	-	1.51	-
120	-	0.02	0.29	-	-	-
Open Int	22,345	180,042	112,362	11,382	124,611	64,939

Estimated volume 58,902 † Total Open Interest 516,338
† All Yield & Open Interest figures are for the previous day.

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Jun	2886.0	2897.0	2873.0	2871.0
Sep	2907.5	2901.0	2896.0	2892.0
Dec				

Estimated volume 10295 (11198)
Previous day's open int. 42097 (42864)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5385	1.5328	1.5258	1.5155	1.4970

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Euromarks fall sharply

GERMAN interest rate futures fell sharply yesterday after the Bundesbank's latest figures for money supply growth were higher than the market had expected, *writes James Blitz.*

German M3 money supply grew at an annualised rate of 3.2 per cent in March after contracting by 0.3 per cent the previous month. The March figure contrasted with economists' expectations of a 1 per cent rise in M3.

UK clearing bank base lending rate 6 per cent from January 26, 1993

A particular concern for the market was the growth in German bank lending, which showed a rise of 9 per cent when annualised over the last six months.

When the Bundesbank cut its discount rate at its last council meeting in March, the low level for this figure was cited as one of the reasons for easing policy. Yesterday's data served to underline that an easing in the discount rate at today's council meeting was unlikely.

There was little reason for dealers to be bullish about rate cuts following the week's money market operations by the German central bank.

As expected, repo funds were offered to commercial banks at a minimum rate of 8.09 per cent, 2 basis points down from the previous level.

However, an injection of DM5.8bn helped push call money below the repo rate level, to 8.07 per cent.

All this data added up to a downbeat day for German futures contracts. The June contract fell 5 basis points on the day to close at 92.63. The September contract fell even more heavily, closing 14 basis points down on the day to close at 93.39. At this level, the market is looking for 129 basis points off 3 month money in the next 5 months.

French franc interest rates were affected by the German news. One month French francs rose sharply from 8.62 per cent to 9.25 per cent, and 3 month French francs rose from about 8.25 per cent to about 8.7 per cent.

Sterling markets were slightly affected by the news from Germany which implied that it might be difficult for the UK to bring down short-term interest rates.

The June short sterling contract fell 3 basis points to close at 93.95. However, 3 month sterling cash was unchanged at around 6 per cent. The Bank of England forecast a large shortage of £1.9bn, which pushed the overnight rate up to a peak of 7.5 per cent at one stage.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.21) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3⁵⁄₁₆	offer 3⁷⁄₁₆

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	3.02	Three year	4.16
Broker loan rate	5	Two month	2.81	Five year	5.04
Fed.funds	2⅞	Three month	2.85	Seven year	5.48
Fed.funds at intervention	-	Six month	2.99	10-year	5.85
		One year	3.16	30-year	6.74
		Two year	3.76		

Apr.21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.05-8.15	8.10-8.20	7.95-8.05	7.85-7.95	7.45-7.60	9.00
Paris	9¼-9⁵⁄₁₆	9-9⅛	-	8⅝-8⅞	-	8.75
Zurich	5¼-5½	5¼-5⅜	-	5¼-5⅜	-	-
Amsterdam	7.87-8.00	7.85-7.90	-	7.52-7.57	-	-
Tokyo	3¼-3⅜	3⅛-3¼	-	3⅛-3¼	-	-
Milan	11⅝-11⅞	11⅜	-	11⅜-11⅞	-	-
Brussels	7⅞-8⅛	7½-8⅛	-	7½-8⅛	-	-
Dublin	8⅜-8½	8⅜-8⅝	8⁵⁄₁₆-8⅝	8⅜-8⅝	8⅛-8¼	-

LONDON MONEY RATES

Apr 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer, Interbank Bid, Sterling CDs, Local Authority Deps., Local Authority Bonds, Discount Mkt Deps, Company Deposits, Finance House Deposits, Treasury Bills (Buy), Bank Bills (Buy), Fine Trade Bills (Buy), Dollar CDs, SDR Linked Dep. Offer, SDR Linked Dep. Bid, ECU Linked Dep. Offer, ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month [illegible]; three months [illegible] per cent; six months [illegible] per cent. Bank Bills (sell); one-month [illegible] per cent; three months [illegible] per cent. Treasury Bills; Average tender rate of discount [illegible] p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 31, 1993. Agreed rates for period April 26, 1993 to May 25, 1993, Scheme I: 7.39 p.c. Scheme II & III: 7.58 p.c. Reference rate for period Feb 27, 1993 to March 31, 1993, Scheme IV&V: 6.028 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6½ from April 1, 1993. Bank Deposit Rates for sums at 7 days notice [illegible] p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month [illegible] p.c.; one-three months [illegible] p.c.; three-six months [illegible] p.c.; six-nine months [illegible] p.c.; nine-twelve months [illegible] p.c.; Under £100,000 [illegible] p.c. from Jan.27, 1993. Deposits withdrawn for cash [illegible] p.c.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Fund	Gross	Net	Gross CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CROSSWORD

No.8,132 Set by DINMUTZ

ACROSS

1 New odes and old, dreary! (6)
5 Still, it can shock (6)
9 Dispensary pretty quick to take in injury (8)
10 Roman poet's purposeful watch around Reading, for example (6)
12 Player trained, perhaps, to grab silver (9)
13 Tropical fish, treat when cooked? (5)
14 Fellow with record to beat (4)
16 Act of a brave young man? (7)
19 Friendly drink? (7)
21 Post charge-account statement (4)
24 Coins rattled in such a boom! (5)
25 Issue taken in novel style (9)
27 Jack to appear in a burgeoning state (6)
28 One who settled in LA – cool, it turns out (8)
29 Rough ground approaching journey's end? (6)
30 As unlucky as Canute, making tide fall this way (3-5)

DOWN

1 Posted off to warehouses (6)
2 Main line from Kent disappearing? (6)
3 Plummet endlessly? Cor! (5)
4 Receiving about a hundred for stitching (7)
6 Perhaps at thrilly stage in a set? (6-3)
7 Hand in hand to win that lady (8)
8 Trapped like common doves (8)
11 Granny, for one, is potassium-negative (4)
15 Colin, abroad, reluctant to wear the dhoti (9)
17 Axle, we hear, releases pressure on this blade (3-5)
18 Gritty old lady has a rule endlessly broken (8)
20 Evangelist's leftover musical instrument? (4)
21 Stay dry in a sleeping-bag? (7)
22 Crashed pilot's hurt (6)
23 Dad, drunk, was in front – totally confused (6)
26 Chilly in St Malo, often (5)

Solution to Puzzle No.8,131

DINNER QUAGGY / ANAGRAM OBLIQUE / WELLLIKING MUGS / HEART LITERATE / CALVADOS IMBAR / ZINC KNACKATORY / PERIWIG XBODIES / SNEAKY JESSIE

هكذا من الأصل

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close April 21

INDICES

NEW YORK DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

MONTREAL

4 pm close April 21

JAPAN

TOKYO - Most Active Stocks

Wednesday April 21 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Comsys	7.2m	1,300	-60	Fujikura	3.8m	948	-28
NEC Corp	6.8m	937	+9	Fujitsu	3.9m	701	
Sumitomo Mt Mn	6.1m	590	-22	Toshiba Corp	3.3m	681	-4
Nippon Steel	5.1m	374	-6	Hitachi	3.2m	829	+9
Teikoku Oil	4.4m	795	-25	Fuji Heavy Inds	3.1m	382	+7

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Finland	FMK 1,900	Italy	LIT 560,000	Portugal	ESC 57,000	Turkey	TL 1,850,000

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FINANCIAL TIMES

FAR MORE THAN FINANCE.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close April 21

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¾	11½	AAR Corp	0.48	3.8	23	357	13	12⅝	12¾	+⅛
27¼	20	A L Labs A	0.18	0.8	34	1094	21⅜	21	21⅜	+½
61⅜	54⅝	AMP Inc	1.60	2.7	21	955	60	59⅝	60	+⅛
70¼	55½	AMR			11	31558	u71¼	65⅜	71¼	+6
2	1¾	ARX			11	80	u2	1⅞	1⅞	-⅛
42½	29⅞	ASA	2.00	5.0	26	156	40⅜	40⅛	40¼	-¾
30¾	22⅝	Abbott Lab x	0.68	2.5	17	20480	27¾	27⅛	27⅜	+½
12⅝	10¼	Abitibi Pr x	0.50	4.1	4	21	12¼	11¾	12⅛	+¼
11⅜	10¾	ACM Gvt In	0.96	8.4		840	u11½	11¼	11⅜	+⅛
9¾	9⅛	ACM GvOpp	0.79	8.3		77	9½	9⅜	9½	+⅛
9⅝	8¾	ACM Gvt Sp	0.79	8.2		355	u9⅝	9½	9⅝	
11⅜	10½	ACM Gvt Se x	0.96	8.5		156	11¼	11⅛	11¼	+⅛
10⅞	9⅝	ACM Man	1.09	10.0		261	10¾	10⅝	10¾	
9⅜	8⅝	ACM Managd	0.72	7.9		31	9⅛	9	9⅛	+⅛
9	7¾	Acme Cleve	0.40	4.7	18	498	8¾	8½	8½	-¼
9¼	6½	Acme Elect			825	184	8½	8⅛	8¼	
16	12⅛	Acuson			12	1650	14⅛	13⅛	14	+⅞
22¼	19⅝	Adams Expr	0.48	2.3	1	17	21	20⅞	20⅞	
58½	45½	Ad Micro	3.00	5.1		403	u59	57⅞	59	+1⅝
28¾	17⅝	Ad Micro P	3.00	10.4	121	2894	u28⅞	27⅝	28⅞	+1¼
7¾	5½	Advest Grp	0.16	2.2	14	113	7¼	7⅛	7⅛	
49⅜	41⅛	Aegon ADR	1.35	2.9	6	40	47⅛	47	47	-⅛
53¾	43⅜	Aetna Li	2.76	5.3	169	2857	52	51⅝	52	+⅜
14½	11½	Ahmanson ...								

Continued on next page

4 pm close April 21

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	16	S Anita Rt	1.36	7.9	26	434	17¼	16⅞	17¼	+¼
20¾	17	SCOR US Cp	0.32	1.6	48	5	19¾	19¾	19½	
26½	20	SPS Techno	1.28	4.9	19	63	u26¾	26¼	26¼	
14½	12⅞	Sabine Rlt x	2.08	14.8	10	81	14⅛	14	14⅛	-⅛
13⅛	6⅞	Safecard	0.10	0.8	16	114	12⅞	12⅝	12¾	
23½	17	Safeg'd Sc			9	31	19⅛	19	19	-½
24¾	17¼	SafetyKln	0.36	2.2	23	5401	17⅛	d16¼	16⅝	-⅝
14⅜	10⅞	Safeway			17	4732	u14½	14	14¼	+⅜
3	2	SafewayW96				396	u3	2⅞	3	+¼
44½	37½	StJoePaper	0.20	0.5	77	117	39⅝	38¾	39⅜	
37⅝	31	StJosL&P	1.76	4.7	16	30	u37⅝	37¼	37⅝	+⅜
83¾	75	St Paul's	2.80	3.5	20	462	80⅞	79⅝	80	-½
9⅝	8¼	Salant Crp			4	10	8½	8½	8½	-⅛
75¼	42½	Sallie Mae	1.20	2.7	10	6982	45	44	44½	+⅝
13⅞	13	Salomon Br	0.61	4.5		237	13⅝	13½	13⅝	
41⅞	35¾	SalomonInc	0.64	1.7	8	2227	38	37¼	37½	-⅜
26⅞	23¼	SanDgo G&E	1.48	5.6	14	322	26½	26¼	26⅜	-⅛
4⅜	3½	SantaFeEDu	0.40	10.0	44	116	4	3⅞	4	+¼
11⅞	9⅛	SantaFeERs	0.16	1.4	158	2032	11½	11⅛	11⅛	-¼
40¾	35¾	SantaFePac	2.80	7.1	14	27	39¾	39¼	39¼	
16	12¾	SantaFeSth	0.10	0.7	44	3217	15¼	14⅞	15⅛	+⅛
31⅛	24⅝	Sara Lee	0.58	2.3	18	9343	25¼	d24⅝	24⅞	-⅛
46½	40⅛	Scana Corp	2.74	5.9	16	2588	46⅛	45⅝	46⅛	+⅛
49⅝	43	Scecorp	2.80	5.8	14	1155	48½	48⅛	48½	+⅛

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Price data supplied by Telekurs

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NASDAQ NATIONAL MARKET

4 pm close April 21

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AMEX COMPOSITE PRICES

4 pm close April 21

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AMERICA

US markets search for a new direction

Wall Street

US markets lay dormant yesterday as investors searched in vain for a lead from bond prices and first quarter corporate earnings, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was down 0.27 at 3,443.22, having recovered from an early 17-point loss. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, down 0.74 at 444.34, while the Amex composite was up 0.57 at 417.98, and the Nasdaq composite 0.8 higher at 662.05. Trading volume on the NYSE was 169m shares by 1pm.

After two days of losses, the stock markets struggled to hold prices in positive territory yesterday. In spite of Monday and Tuesday's declines, sentiment is not particularly bearish – the problem is that there are few reasons to buy stocks at the moment. Bond yields have fallen in the past week, but they were only regaining lost ground, and there is no indication that they will fall much further.

As for the quarterly reports, a few stocks have been boosted by unexpectedly good earnings, but most seem to have had good news on profits already built into the price. Consequently, there has been a lot of profit-taking in recent days, and much shifting of funds in and out of various industry groups as investors search for the sector that holds the most promise for quick gains.

Bank and airline stocks were affected by this switching yesterday. Bank stocks, which have had a good 1993 so far on expectations of improved profitability, have been overrun by profit-takers lately, in spite of good first quarter earnings announcements.

Among those that suffered yesterday were JP Morgan, down $1⅛ at $70⅝, BankAmerica, $1⅞ lower at $48⅝, Banc One, down $¼ at $57, and First Union, down $2¼ at $46⅝.

In contrast, airline stocks bounced back strongly from recent selling on fears of a renewal of the air fare price war. UAL jumped $7 to $147, AMR soared $4⅜ to $69⅞, and Delta added $3 at $59½.

AT&T fell $⅛ to $57⅞ in volume of 1.3m shares after the telecommunications group announced a first quarter loss of $4.19 a share, compared with a profit of 67 cents a share a year earlier.

General Dynamics firmed $1¼ to $97 after the aerospace and defence group unveiled first quarter net income on continuing operations of $1.30 a share, more than double the earnings of a year ago.

In the same sector, McDonnell Douglas climbed $1⅞ to $62, also on news of stronger earnings.

On the Nasdaq market, Borland International rose $1¼ to $21⅞ on news of its alliance with WordPerfect to produce personal computer software.

Canada

TORONTO edged lower but partially recouped earlier losses as a round of profit-taking began to taper and investors focused on selective stocks. At midday, the TSE-300 index was 2.64 lower at 3,660.70 in turnover of C$301.4m.

The conglomerates index was pressured by losses in Canadian Pacific, which eased C$⅜ to C$20½ in more than 1.4m shares, due mostly to profit-taking.

SOUTH AFRICA

GOLD shares picked up from morning lows but still ended easier on the day in moderate trading. The gold index shed 28 to 1,216, industrials rose 12 to 4,366 and the all-share index eased 11 to 3,571. De Beers lost R1.25 to R73.50.

EUROPE

Astra ahead on recovery hopes in the sector

STRONG buying interest in Astra was seen yesterday as the stock reacted to a growing belief that the pharmaceuticals sector may have reached the bottom of the cycle, *writes Our Markets Staff.*

Susan Haylock, European pharmaceuticals analyst at NatWest Securities in London, noted that there had been a revival of interest in the sector over the last few days. Some better than expected first quarter results from US groups and expectations that the Clinton healthcare reform proposals would be outlined by the end of next month had contributed to a change in sentiment, she said.

The mood among senior bourses generally, however, was much less enthusiastic as hopes dimmed that the Bundesbank would cut interest rates further at today's regular meeting.

STOCKHOLM was driven by Astra with strong US and European buying seen as the stock put on 3.6 per cent in the B shares, closing SKr24 higher at SKr668. However, as one trader noted, the stock still has a long way to go before it passes the all time high of SKr751 reached in January.

The Affärsvärlden index gained 15.50 or 1.5 per cent to 1,026.0 in turnover of some SKr1.2bn.

Another gainer was Ericsson which saw the B's close at a year's high, up SKr9 at SKr283.

FRANKFURT fell for the second consecutive day, as disappointment over earnings prompted profit-taking. The DAX index fell 20.24 to 1,666.87 in volume estimated to have been considerably less than Tuesday's DM5.1bn.

All sectors declined on the day. Steel and machinery makers lost ground on Tuesday's lower profit warnings by leading companies at the Hanover trade fair. Thyssen, the steel maker, lost DM4.30 to DM174.20, while Mannesmann eased DM3.70 to DM261.70.

Construction companies, which lost ground on Tuesday after announcing a rights issues, continued their descent. Mr Glen Liddy at Kleinwort Benson Securities said that liquidity in the market was being absorbed by the increasing number of rights issues. Holzmann fell DM65 to DM1,010, while Hochtief retreated DM37 to DM1,090.

In post-bourse trading, the market weakened as hopes of lower interest rates receded after the release of money supply figures. The M3 for February grew by 3.2 per cent, against forecasts of around 1 per cent.

PARIS dipped again with a loss in the CAC-40 index of 17.44 to 1,931.89. However, turnover was stronger than in recent days at FFr3.4bn.

Some analysts commented that sentiment had been affected by a feeling that France was unable to act unilaterally on reducing domestic interest rates further until some movement emerged from Germany.

In the corporate sector UAP slipped another FFr12 to FFr541 as some investors continued to digest its 1992 results published on Tuesday.

Reports of US selling and a downgrade hit L'Oreal which closed down FFr14 at FFr1,061 while Peugeot, which reports 1992 figures today, was down another FFr9 at FFr537, although some observers believe that expectations of poor results has largely been discounted.

ZURICH saw demand for industrial stocks more than offset weaker banks and insurances, as the likelihood of a German interest rate cut today faded, and the SMI index rose 7.3 to 2,178.1.

Bearer shares in Ascom, the telecommunications equipment maker, rose SFr90 or 6.6 per cent to SFr1,450 on reports of heavy buy orders by a private, Geneva-based bank which has recommended the share recently.

Roche certificates were also actively traded, rising SFr30 to SFr6,720 as positions were built up ahead of today's annual news conference. Sandoz bearers rose SFr80 to SFr3,040 and Ciba-Geigy registered shares dipped SFr5 to SFr592 amid reports of share switching in the sector.

Profit-taking left Sulzer SFr19 lower at SFr724 after the group said that it expected this year's group profits at least to match the 1992 level.

AMSTERDAM was puzzled by the good performance from Nedlloyd, up Fl 1.30 at Fl 30.30, after the transport group announced disappointing 1992 results. The only positive sign in the report was a suggestion that there had been a slight pick-up in trading activity in March. The CBS Tendency index closed 0.4 higher at 118.7.

BRUSSELS was pulled down by the fall in Petrofina which lost BFr150 to BFr9,250 on profit-taking by institutions. The Bel-20 index fell 4.7 to 1,247.21.

MILAN remained overhung by the uncertain political situation as efforts began to decide the composition of a new government. The Comit index eased 4.55 to 518.17.

Privatisation stocks recouped some of Tuesday's losses on hopes that Mr Giuliano Amato, the prime minister, would head an interim government until general elections in the autumn. Credito Italiano rose L90 to L2,863 while SME ended L153 higher at L6,202.

OSLO rose on speculative buying with a gain in the all-share index of 4.04 to 450.31 in turnover of NKr469.7m.

MADRID fell steadily in line with other markets with the general index losing 1.11 to 242.51 in turnover of a low Pta5.36bn. **ISTANBUL** continued to recover strongly after Monday's plunge and the market index rose 312.24 or 4.7 per cent to 6,921.49.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

April 21 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1159.84	1158.17	1157.43	1158.36	1159.38	1157.28	1157.54	1157.71
FT-SE Eurotrack 200	1226.86	1224.42	1223.57	1225.54	1225.58	1223.96	1224.12	1224.52

	Apr 20	Apr 19	Apr 16	Apr 15	Apr 14
FT-SE Eurotrack 100	1158.12	1164.59	1159.61	1156.40	1160.63
FT-SE Eurotrack 200	1220.73	1221.99	1217.23	1220.62	1223.50

Base value 1000 (26/10/90) Highday: 100 - 1159.84; 200 - 1226.86 Lowday: 100 - 1156.69 200 - 1222.65

ASIA PACIFIC

Nikkei average retreats further after fall in NTT

Tokyo

EQUITY prices settled lower as the weakness of Nippon Telegraph and Telephone, Japan's largest telecommunications company, erased early gains triggered by institutional investors and arbitrageurs amid choppy trading, *writes Wayne Aponte in Tokyo.*

The Nikkei average retreated 55.42 to 19,773.01 for its fourth consecutive decline, after moving between an intraday low of 19,672.02 and a high of 20,008.13. The Topix index of all first section stocks shed 10.78 to 1,532.56, but in London the ISE/Nikkei 50 index put on 5.74 at 1,307.41.

Volume was estimated at 400m shares, compared with Tuesday's 460m. Declines outpaced advances by 699 to 330, with 148 issues unchanged.

Investors took profits quickly after NTT dipped below the Y1m level. NTT, which represents about 10 per cent of the first section in terms of market value, finally settled Y60,000 lower at Y937,000 for a sixth consecutive loss.

The strength of the yen also gave investors an additional reason to sell equities or to remain on the sidelines. The yen advanced beyond Y110 to the dollar at one point during Tokyo trading.

Mr Hiroshi Nakagawa, head of research at Morgan Stanley Japan, estimated that the Nikkei average would trade between a narrow range of 18,000 to 20,000 for the next three months. Any rally beyond this level is likely to result in profit-taking because investors regarded the overall stock market as expensive, he added.

Electric power and gas suppliers came under pressure. Tokyo Electric Power settled Y120 lower at Y3,840 while Tokyo Gas lost Y18 to Y542.

Brokerages lost ground, Nomura retreating Y40 to Y2,000, Yamaichi Y22 to Y530 and Nikko Securities Y11 to Y999.

Consumer electronic issues were weak: TDK fell Y50 to Y3,800 and Pioneer Electronic Y50 to Y2,410. But high-technology shares moved higher, NEC appreciating Y9 to Y937, Hitachi Y9 to Y829 and Mitsubishi Electric Y3 to Y558.

In Osaka, the OSE average declined 223.25 to end at 21,533.79 in volume of 33.9m shares.

Roundup

THERE WAS a positive mood in some of the Pacific Rim markets yesterday.

HONG KONG closed higher on comments by a senior Chinese official about Sino-British talks, but activity remained thin. The Hang Seng index finished 129.85, or 1.9 per cent, up at 6,768.39. Turnover was HK$4.3bn.

Mr Lu Ping, China's senior official on Hong Kong affairs, said success in discussions over the colony's political reforms would be positive for shares.

KUALA LUMPUR rose to a new high on index-linked buying and speculative activity. The composite index added 19.17 at 691.70. Increased demand for laggard blue chip issues from institutional investors boosted activity.

SEOUL ended at a 20-month peak on a surge by financial issues. The composite index climbed 11.92 to 733.58 in volume of 56.6m shares. Popularity in electronics issues contributed to a rise in confidence.

MANILA fell in spite of strong buying at the start of the session. The composite index lost 22.05 to 1,532.76 in turnover of 426.16m pesos. Rumours of foreign selling in the oil sector due to the lack of positive developments in oil drilling projects depressed other shares.

TAIWAN was weak in financials but managed to reverse early losses to end slightly higher. The weighted index put on a net 34.20 at 4,482.63 in thin turnover of T$31.44bn.

Some analysts noted that the failure by the provincial assembly to pass dividend plans by the major provincial commercial banks had hit sentiment in the sector.

AUSTRALIA eased on profit-taking after declines on Wall Street, the All Ordinaries index slipping 9.7 to 1,693.9 in turnover of A$340.5m.

SINGAPORE was firmer after falling back on Tuesday, but many investors preferred to concentrate on the Malaysian market. The Straits Times industrial index closed 6.99 ahead at 1,770.06 in turnover of S$451m.

BANGKOK moved ahead on hopes that the authorities might take less severe action than expected against violators of the new securities law. The SET index gained 5.20 at 889.42 in turnover of Bt3.84bn.

NEW ZEALAND continued to be driven by strong performances in the forestry sector and the NZSE-40 index rose 7.04 to 1,604.93, its highest close since February. Turnover amounted to NZ$42.6m.

KARACHI was supported by buying from state financial institutions. The KSE index moved forward 12.38 to 1,088.30. BOMBAY fell to a 14-month low as the BSE index lost a further 10.51 to 2,194.40.

Netherlands manages to regain composure

Michael Morgan assesses the rise in European turnover in March

Equity trading in the leading European bourses continued to grow strongly in March for the third successive month. Volume increased by 22.8 per cent during the month after February's 15.3 per cent rise.

But at the same time, stock indices were not rising so steeply as they had been earlier in the year. The FT-Actuaries Europe index rose only 1.2 per cent in March, after February's 4.8 per cent gain as investors began to scale back expectations of further rapid falls in interest rates.

"Expanding volume in markets no longer rising so rapidly suggests that profit-taking is being matched by new buyers, rather than by prices being marked down and volume drying up," says Mr James Cornish of NatWest Securities in London. "It is a bullish phenomenon."

The Netherlands saw the largest rise in trading volume in March, up 29.8 per cent on February and 49 per cent higher than the average for the previous three months, to levels not seen since 1987.

On the corporate front, James Capel in London notes in its latest European Equity Strategy that the trading sector turned in the best performance during the first quarter, helped by often better than expected 1992 results, while companies such as Hoogovens and Philips, which produced huge losses, were "rewarded" for taking large restructuring charges.

The market also regained much of the composure dented by February's traumas surrounding Daf, which filed for creditor protection having failed to set up a rescue plan; and Fokker, about whose takeover by Deutsche Aerospace there had been doubts.

Spain came a close second with volume climbing 28.9 per cent as the market returned to outperformance on hopes of lower interest rates. While much of the trading was domestic, a 21.8 per cent rise in Spanish volume on Seaq, the London screen-based trading system for international stocks, indicates a firm recovery in foreign buying interest.

Expectations of lower interest rates helped to lift German volume by 35.5 per cent on February and 63.5 per cent on the average for the previous three months. This was the highest level of trading since March 1991 during the euphoria which followed the tearing down of the Berlin Wall.

French trading volume, up 24.4 per cent on the month, was back up to the level last seen in October 1989. Strong market indices also reflected hopes of lower interest rates after the French elections.

Italy's 11.7 per cent rise on the month took volume to a four-year high, in spite of uncertainties caused by the unravelling and ever widening political corruption scandal. However, turnover was swelled by local and foreign demand for Fiat amid continuing speculation that the group planned an international link-up or asset sale.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Dec 1992	Jan 1993	Feb 1993	Mar 1993	US $bn
Belgium	43.35	52.75	57.35	70.30	2.13
France	120.72	106.66	127.98	159.17	29.16
Germany	82.80	91.67	153.05	168.06	104.71
Italy	14,210.72	26,143.20	28,045.20	31,337.60	19.65
Netherlands	12.50	14.00	16.80	21.80	12.06
Spain	806.96	653.20	664.91	856.96	7.45
Switzerland	13.10	22.30	17.50	16.90	12.72
UK	39.05	42.86	43.58	51.82	78.56

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY APRIL 20 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 19 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (68)	142.71	+0.4	137.21	99.86	118.71	132.31	+0.4	3.73	142.10	136.85	99.71	118.17	131.85	144.19	117.39	145.44
Austria (18)	143.47	+0.8	137.95	100.40	119.35	118.42	-0.1	1.80	142.29	137.03	99.84	118.33	118.57	150.96	131.16	166.66
Belgium (42)	154.16	+0.0	148.22	107.87	128.24	125.08	-0.1	4.52	154.10	148.40	108.11	128.14	125.21	156.76	131.19	136.49
Canada (110)	124.37	+0.2	119.57	87.02	103.44	113.11	+0.2	2.94	124.16	119.57	87.11	103.24	112.92	125.97	111.41	129.42
Denmark (33)	213.00	-0.9	204.79	149.05	177.18	177.80	-0.8	1.29	215.02	207.08	150.87	178.81	179.27	215.02	185.11	231.24
Finland (23)	87.99	+2.3	84.60	61.57	73.19	101.26	+1.2	1.23	86.04	82.86	60.38	71.55	100.06	87.99	65.50	75.38
France (98)	161.44	-1.0	155.22	112.98	134.28	138.08	-1.0	3.28	163.07	157.04	114.41	135.59	138.19	167.38	142.72	155.10
Germany (62)	116.63	-0.4	112.14	81.62	97.02	97.02	-0.4	2.19	117.10	112.77	82.17	97.37	97.37	117.10	101.59	118.26
Hong Kong (55)	265.67	-0.5	255.43	185.90	221.00	263.64	-0.5	3.50	266.98	257.11	187.32	222.02	264.97	270.95	218.82	212.46
Ireland (15)	165.82	-1.0	159.43	116.03	137.93	153.11	-1.2	3.46	167.50	161.31	117.53	138.29	154.92	170.40	129.28	156.11
Italy (73)	64.28	-1.2	61.80	44.98	53.47	73.54	-0.9	2.69	65.07	62.66	45.65	54.11	74.20	65.07	53.78	70.52
Japan (470)	138.76	-0.4	133.41	97.10	115.44	97.10	-0.7	0.86	139.35	134.20	97.77	115.89	97.77	141.84	100.75	93.92
Malaysia (69)	304.38	+1.1	292.65	212.98	253.19	301.51	+1.0	2.22	301.01	289.88	211.19	250.30	298.63	304.38	251.66	231.58
Mexico (18)	1625.26	-1.1	1562.64	1137.28	1351.95	5496.19	-1.1	1.23	1643.03	1583.08	1153.39	1366.97	5558.98	1725.81	1410.30	1703.83
Netherland (24)	171.08	-0.3	165.26	120.27	142.98	140.97	-0.3	3.92	172.39	166.02	120.96	143.36	141.38	172.75	150.39	152.40
New Zealand (13)	47.55	+0.8	45.72	33.28	39.56	46.66	+0.7	4.68	47.17	45.43	33.10	39.23	46.37	47.55	40.56	43.28
Norway (22)	155.25	-1.0	149.27	108.64	129.15	142.61	-1.2	1.85	156.77	150.97	110.00	130.37	144.32	158.26	137.71	169.94
Singapore (38)	236.01	-0.1	226.92	165.15	196.32	176.20	-0.1	1.91	236.21	227.47	165.74	196.42	176.45	236.21	207.04	202.25
South Africa (60)	175.75	+7.5	168.98	122.98	146.19	176.32	+1.0	2.84	163.48	157.44	114.71	135.96	174.64	178.48	144.72	227.83
Spain (45)	131.83	-0.3	126.56	92.11	109.49	115.23	-0.4	5.27	131.99	127.11	92.61	109.76	115.64	131.99	115.23	149.62
Sweden (36)	168.12	+0.7	161.65	117.65	139.85	183.80	+0.7	1.83	166.95	160.78	117.14	138.83	182.58	168.80	149.70	183.12
Switzerland (55)	119.46	+0.6	114.85	83.60	99.38	108.46	+0.4	2.01	118.70	114.31	83.29	98.72	108.06	121.49	106.91	97.45
United Kingdom (218)	177.91	+1.1	171.05	124.48	147.97	171.05	+0.9	4.02	175.98	169.47	123.48	146.38	169.47	179.22	162.00	184.03
USA (519)	181.73	-0.5	174.73	127.17	151.18	181.73	-0.5	2.80	182.66	175.91	128.17	151.90	182.86	186.27	175.38	187.00
Europe (784)	146.45	+0.2	140.81	102.48	121.83	133.13	+0.1	3.36	146.11	140.71	102.52	121.51	132.93	147.81	133.92	146.28
Nordic (114)	159.19	+0.3	153.06	111.39	132.42	152.44	+0.2	1.64	158.65	152.79	111.32	131.93	152.09	159.19	142.13	171.70
Pacific Basin (713)	142.62	-0.4	137.13	99.80	118.64	103.20	-0.6	1.15	143.14	137.85	100.43	119.03	103.83	145.00	105.89	98.83
Euro-Pacific (1477)	144.07	-0.1	138.52	100.81	119.84	115.73	-0.3	2.07	144.24	138.90	101.20	119.94	116.07	146.03	117.26	116.60
North America (629)	178.16	-0.5	171.30	124.68	148.23	177.07	-0.5	2.80	179.02	172.40	125.62	148.90	177.93	182.38	171.51	164.63
Europe Ex. UK (546)	126.88	-0.3	121.99	88.80	105.57	111.69	-0.4	2.91	127.33	122.62	89.36	105.91	112.11	128.23	112.51	123.69
Pacific Ex. Japan (243)	180.96	+0.1	173.99	126.64	150.54	164.27	+0.1	3.31	180.71	174.03	126.82	150.29	164.15	182.08	152.70	157.97
World Ex. US (1665)	144.63	+0.0	139.06	101.21	120.31	117.66	-0.3	2.09	144.65	139.31	101.50	120.30	117.98	146.39	118.51	121.22
World Ex. UK (1966)	*153.99*	*-0.3*	*148.06*	*107.76*	*128.11*	*134.02*	*-0.5*	*2.19*	*154.53*	*148.82*	*108.43*	*128.52*	*134.69*	*155.77*	*134.22*	*131.19*
World Ex. So. Af. (2124)	156.08	-0.3	150.07	109.23	129.84	137.03	-0.4	2.36	156.50	150.72	109.82	130.16	137.54	157.88	137.29	135.15
World Ex. Japan (1714)	167.03	-0.1	160.60	116.89	138.96	160.03	-0.2	3.01	167.23	161.04	117.34	139.08	160.39	168.09	157.47	159.04
The World Index (2184)	156.10	-0.2	150.08	109.23	129.85	137.40	-0.4	2.37	156.42	150.64	109.76	130.09	137.90	157.83	137.32	135.75

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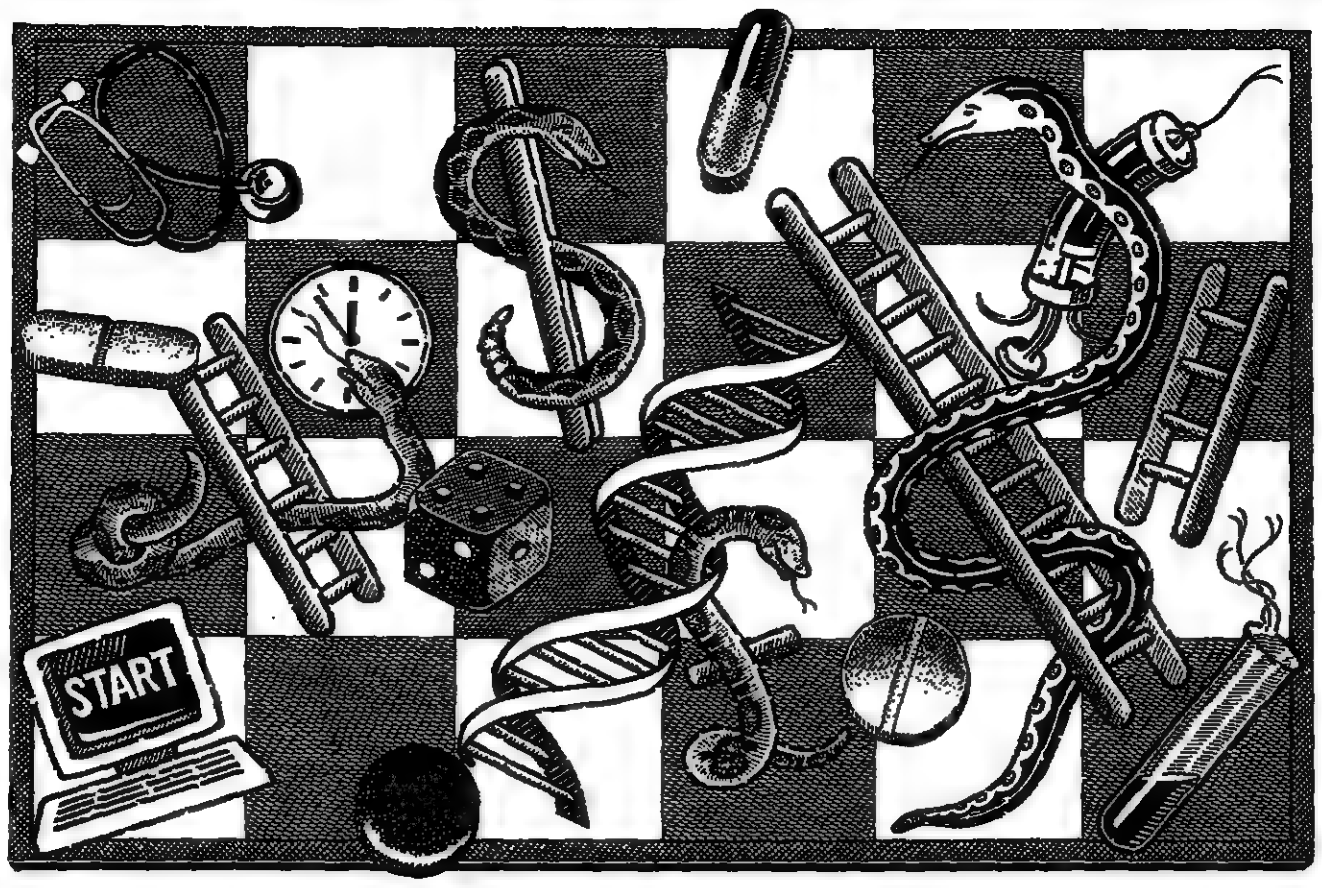
PHARMACEUTICALS: Research and Development

Although the world pharmaceutical industry is facing an unprecedented examination of its prices and profits, investment in drugs research and development remains inviolate. This year the sector will spend $26.5bn on R&D. **Paul Abrahams** reports

A taste of its own medicine



THE pharmaceuticals industry is under attack. Around the globe, governments and health providers are struggling to control their healthcare budgets.

Although drugs represent only a small element of overall spending – in the US the figure is 7 per cent of the $800bn spent annually on healthcare – the industry has suffered the brunt of attacks. The Japanese, German and Italian governments have all implemented measures against medicine prices, or use, over the past 18 months. Now, in the US, the world's largest market, the new administration is considering measures to control the drugs bill.

The medicines industry's profits and prices are under pressure. For the first time, the sector is facing serious cost-cutting. All aspects of the drugs group's business are under the microscope. Manufacturing is being rationalised, and sales forces cut.

But investment in research and development remains inviolate. Indeed, expenditure continues to increase. The UK-based Centre for Medicines Research estimates investment in pharmaceuticals research and development has increased from $15.26bn in 1988 to $26.5bn this year. The reason for this extraordinary increase is that successful R&D has become critical for pharmaceuticals companies individually and for the industry as a whole.

The sector can justify its prices and profits only by arguing it needs them to develop medicines for poorly-treated or untreatable diseases. Only the drugs industry can offer remedies for Alzheimer's or Aids. More than 90 per cent of medicine discoveries are developed by the drugs industry, according to the US Pharmaceuticals Manufacturers' Association.

Mr Henry Wendt, chairman of SmithKline Beecham, the Anglo-American group, is calling for the sector to negotiate a new social contract between the industry and society. He believes the contract would be based on showing customers – governments and patients – that medicines are good value for money, demonstrating they were not only safe and effective but also cost-effective.

"Balance is required," says Dr Richard Sykes, chief executive of Glaxo. "Society needs cost-effective healthcare, but we also need money for R&D. Finally we also have shareholders who are not altruists and need a return on their investment," he argues.

"The industry has cried wolf in the past," admits Dr Jürgen Drews, president of international pharmaceuticals R&D at Roche. "But it has gone on to even greater profits. The industry will be successful as long as it produces innovative products that make financial sense. But we will have to be more efficient and productive," he explains.

Some members of the industry are doomed, however. With prices of existing medicines frozen or falling in most countries, only those groups capable of discovering and rapidly developing innovative drugs will survive.

The burden, then, is on R&D directors to come up with innovative compounds. Although R&D budgets have escaped the cuts elsewhere in the industry, company boards are demanding that the ever-increasing sums spent on R&D are employed more productively.

The cost of developing a new compound is increasing. The Centre for Medicines Research estimates the cost of bringing a compound to market had increased from about $50m in the late 1960s to more than $250m by the mid 1980s. Dr Peter Ringrose, senior vice-president of medicinal R&D at Pfizer Europe, reckons the true figure for the late 1980s is closer to $400m.

Admittedly, such high figures include issues such as opportunity cost and the cost of compounds that fail to reach the market. In Japan, where development procedures are different, Professor Stuart Walker of the CMR estimates the cost is between $70m and $100m. And even after R&D expenditure most drug companies are still making substantial profits.

Nevertheless, an increasing regulatory burden, combined with new, expensive technologies such as biotechnology and gene therapy, have undoubtedly increased the costs of developing drugs. So, too, has the need to internationalise research and, in particular, development so a compound can be launched as quickly as possible.

To cope with falling prices and rising costs, the industry will need to manage R&D more efficiently, says Dr Tom McKillop, of Imperial Chemical Industries' bioscience subsidiary Zeneca. He questions whether all groups are capable of managing the change.

Industry consultants argue a management revolution is taking place within pharmaceuticals R&D. The revolution's aim is to increase the odds for the companies playing the molecular roulette of the drug development.

The issues concerning R&D directors include:

■ Where to find innovative compounds. Some companies are dedicated to using their own research molecules. Pfizer, for example, reckons 90 per cent of the compounds in development are from internal research. "You have to keep bureaucracy down to create a free-wheeling atmosphere. The paradox is that to be a world player you need a certain size, but size leads to bureaucracy. The big question is: how to maintain an appropriate climate to keep your scientists productive?" says Dr Frank-Joachim Morich, director of pharmaceuticals R&D at Bayer.

A number of companies have proved anxious to gain access to molecules discovered outside their own organisation, in particular from the rapidly-growing biotechnology industry. Some, such as Roche, have taken majority stakes in large biotech groups. Others, such as Merck and Glaxo, prefer to set up agreements with biotech companies on individual projects.

■ How to select which therapeutic areas and compounds to develop. A critical challenge confronting R&D directors is the problem of which molecules to invest in.

■ How to accelerate the time it takes to bring a drug to market. For a blockbuster compound, every day's delay can cost a company $1m. R&D directors must use every trick at their disposal to accelerate the development process, while simultaneously ensuring a compound is safe and effective.

They must also co-ordinate the development of compounds in the US, Japan and Europe, to ensure the group receives a return on its investment as soon as possible. The CMR reckons during the 1970s it took eight years on average to roll out a product in Japan, the US and three European countries. It now take four years.

■ How to incorporate health economics studies into clinical trials. Trials have traditionally demonstrated drugs are safe and effective. Now they must also show they are cost-effective, reducing time in hospital or time away from work.

■ How to use new computer technology efficiently. Collecting data during clinical trials by computer should be able to cut months off development schedules. By submitting dossiers on optical disk rather than on the tonnes of paper traditionally used, R&D directors can save space and time.

■ How to manage scientists around the world. Most significant groups have research and development in the US, Europe and Japan. This presents considerable logistical difficulties.

As each company tries to use such measures to shorten the odds in its own game of molecular roulette, the odds for the industry as a whole appear to be lengthening. The rate of increase in R&D expenditure is clearly unsustainable. And whether existing investment can be justified by the eventual returns is far from clear.

Governments and health providers are already struggling to pay for existing therapies. The danger is that medical technology may well be outstripping the ability of society to pay it.

Leading companies by nominal pharmaceutical R&D spending

Company	R&D spend ($m)	Sales ($m)	R&D as % of sales
Glaxo	1,052.7	7,247.0	14.5
Merck	987.8	8,019.5	12.3
Roche	953.3	4,119.9	23.1
BMS	845.0	5,908.0	14.3
Hoechst	785.8*	6,263.9	12.5
Bayer	688.8†	5,305.4	13.0
Ciba-Geigy	677.8‡	4,052.3	16.7
Sandoz	675.0	4,440.7	15.2
SmithKline Beecham	654.8	4,370.1	15.0
Johnson & Johnson	569.0	3,795.0	15.0

*Health division, including cosmetics †Relates to prescription pharmaceuticals ‡Healthcare division, including diagnostics
Source: Scrip Review

IN THIS SURVEY

Editorial production: Roy Terry
Illustration: Robin Macfarlan

Clive Cookson on how scientists are using computers to design drugs

Programmed to make medicines

PATIENTS in Newcastle-upon-Tyne in northern England, who started therapy with the experimental cancer medicine AG-337 last October, are taking part in what is believed to be the first clinical trial of a drug designed entirely by computer, from first conception to final molecular structure.

AG-337 is being tested by the *UK Cancer Research Campaign* on behalf of Agouron Pharmaceuticals, based in California – one of a small group of young companies whose main aim is to design drugs by computer. Others include Vertex Pharmaceuticals of Massachusetts, BioNumerik Pharmaceuticals of Minnesota and Proteus International, based in the north of England.

All pharmaceutical groups use computers in drug discovery. The principle, in brief, is to produce a model of a particular target – say, a receptor on a cell surface – and then design a molecule to fit it as well as possible, without causing side-effects by interacting with other sites elsewhere in the body.

But the established companies use molecular modelling as an adjunct to more traditional methods of screening and chemical synthesis. Their researchers usually know roughly what sort of molecule they are looking for; they use the computer to perfect its structure.

"The hardest step in molecular design is the first one: getting an initial compound to work on," says Mr Peter Johnson, chief executive of Agouron. "AG-337 was designed out of the heads of chemists trying out ideas on the computer, with no prior starting points."

In its anti-cancer programme, Agouron is concentrating on what its researchers knew was a viable target: an *enzyme, thymidylate synthase* (TS), that is required for rapid cell proliferation. An existing cancer drug, 5-fluorouracil, works by inhibiting TS but its use is limited by toxic side-effects.

As a prelude to molecular modelling, Agouron researchers used an expensive and painstaking physical process called X-ray crystallography to obtain three-dimensional images of TS. Then they began to design new molecules capable of jamming the enzyme's activity by inserting themselves into a crevice in its structure.

The first exercise was to re-engineer an existing TS inhibitor whose kidney toxicity had ruled out its clinical application. *After the Agouron* researchers had removed the portion of the molecule responsible for its toxicity, the cut-down compound was 1,000 times less potent at binding TS. But through repeated cycles of design, synthesis, analysis and redesign – driven by crystallographic snapshots of drug candidates interacting with TS – the researchers succeeded in restoring the original drug's binding power, without its toxicity. This compound (AG-85) is in clinical trials in California.

Then the Agouron team took the more radical step of designing from first principles two TS inhibitors with no chemical precedents. Through a series of design cycles, the scientists were again able to improve the potency of the initial prototypes a thousandfold. Both drugs (AG-337 and AG-331) are now beginning clinical trials.

Agouron's 16-strong protein crystallography group plays a crucial role in the molecular design process. "It's not a static system; both the drug molecule and the protein undergo conformational changes," says Mr Johnson. *"You have to re-solve the* structure every time with a new molecule attached to it. We have re-solved the structure of TS about 100 times".

Indeed, the cost and time required to obtain high-resolution X-ray images is a serious constraint for all molecular design teams. And, as Professor Barry Robson, science director of Proteus, points out, "X-ray pictures can be seriously misleading. If you are working with a very mobile molecule such as LHRH [a hormone involved in controlling fertility and in fighting cancer] you have to be very careful to match its movements with your drug."

For large biological molecules such as antibodies, X-ray crystallography is even more difficult and time-consuming. Indeed, Professor Tony Rees of *Bath University says the* world's crystallographers publish only two or three antibody structures a year and "there are only 14 structures in the [public] database, compared to the 1bn structures possible in the immune system."


Drug design: anti-fungal research at Glaxo laboratories in Spain

To get round the problem, Prof Rees has worked with Oxford Molecular to produce a modelling program for antibodies of unknown structure. Starting with the primary (amino acid) sequence, the AbM program predicts the 3D structure with an accuracy that Prof Rees says is at least as good as a "moderate resolution X-ray structure". This is good enough for a pharmaceutical company that needs to design a "humanised antibody" from a mouse antibody.

Although what really matters in molecular design is the computational software and hardware behind the computer screens, "visualisation is extremely important," says Mr Johnson of Agouron. "I've been in the field long enough to remember what it was like without any graphics, when you just had wire models of a protein. The visual image gives you real insight." Agouron has a molecular auditorium at its San Diego headquarters, in which 30 to 40 people can see 3D molecular images on a big screen.

Soon, drug designers will be able to use virtual reality technology to work from inside those 3D images. VR helmets will give the illusion of walking through the screen of a graphics computer and being surrounded by molecules.It will be possible to pick up images of atoms and rearrange them in new chemical patterns by moving the head and manipulating a hand-held device.

A prototype system – the *result of a joint project by* York University, Glaxo, IBM and specialist VR developer Division – was unveiled last year. "The sheer quality of change that you experience as you move into three dimensions is difficult to describe," said project director Dr Rod Hubbard of York University. "Even though the image you see in VR is still crude compared with the high-resolution computer graphics we normally use, this is in many ways compensated by being able both to move easily around the image and to interact directly with the molecular model through natural head and arm movements."

Eventually, said Dr Peter Murray-Rust of Glaxo, scientists might be able to "experience" biological molecules such as proteins instead of having to "learn" them from two-dimensional books.

Some of the large pharmaceutical groups are building up considerable experience in biotech production, says **Clive Cookson**

Blockbusters prove worthy

THE FIRST two blockbuster products of biotechnology are beginning to prove themselves in the pharmaceutical market, almost 20 years after the crucial discoveries – recombinant DNA and monoclonal antibodies – that laid the *foundations for the modern* biotech industry.

Amgen, based in California, is far ahead of its biotech competitors. Each of its first two drugs – Epogen launched in 1989 to stimulate red blood cell production and Neupogen launched in 1991 to boost white blood cells – is expected to bring in revenues of more than $500m this year.

According to a forecast *released last month* by Lehman Brothers' global healthcare research team, Epogen and Neupogen will be two of the five "super-blockbuster" drugs in the year 2000 with at least $2bn sales (the other three are conventional pharmaceuticals).

Altogether there are a dozen biotech products in the Lehman list of 65 drugs with 2000 sales above $500m. "If our projections hold true, the decision 10 years earlier of companies like Roche [of Switzerland], which took an aggressively optimistic view of the opportunities the biotech approach would present, will be fully *justified." the Lehman* analysts say.

Roche represents one extreme of the range of approaches by large pharmaceutical groups to biotechnology – direct investment in independent US biotech companies. In 1990 Roche paid $2.1bn for a majority stake in California-based Genentech, then the sector's largest company, and it has minority shareholdings in Chiron and Protein Design Labs. The Swiss group also has collaborative agreements with several others, including Amgen, Synergen and Hybridon.

Dr Jürgen Drews, Roche research director, says the policy is to keep Genentech's research and development (R&D) at arm's length from Roche's, so as to avoid stifling its entrepreneurial spirit. "We made it clear to Genentech that we wanted to collaborate with them but we didn't want to manipulate them."

An example of collaborative R&D is DNase, a cystic fibrosis *treatment, which Genentech* and Roche are developing for the north American and European markets respectively. "We've had to prove our abilities a couple of times but that has led to a relationship of trust," Dr Drews says. "They come to us with proposals and we go to them. They still have the characteristic Genentech culture. It takes patience for the two groups to work together but it's a lot of fun."

A similar policy of direct investment in US biotech R&D has been followed by the other two large Swiss pharmaceutical groups, Sandoz and, to a lesser extent, Ciba. Last year, for example, Sandoz paid $392m for a 60 per cent stake in SyStemix and announced a long-term agreement to fund $300m worth of research at Scripps Research Institute – *both based in California.*

Dr Richard Sykes, chief executive of Glaxo, the largest UK pharmaceutical group, agrees that "it is absolutely critical for a research-based company to have strong links both with the academic science base and with the research boutiques that have sprung out of it, particularly in the US".

But Glaxo's approach to plugging into the biotech industry is quite different from its Swiss competitors. The UK group has links with eight US biotech companies including Amylin, Gilead and Icos. The partnerships are based on *limited R&D programmes* with specific objectives and generous incentives for success.

Glaxo's policy is not to put large amounts of money into its biotech partners nor take control of them.

"I don't agree with the approach of the Swiss companies," says Dr Sykes. "The biotech companies have tremendous drive and it is difficult to create that environment in a pharmaceutical group. If you buy a large stake in any of the companies you have killed its spirit."

Although young companies started with venture capital funding over the past 15 years represent the cutting edge of scientific progress, some of the large pharmaceutical groups are building up considerable experience in biotech production. According to a survey of the world biotechnology market released last month by Datamonitor, the two largest "biopharm" companies by sales after Amgen are the insulin manufacturers Eli Lilley of the US and Novo Nordisk of Denmark. Both sell human insulin produced by genetically engineered micro-organisms.

Indeed the endocrine (hormone) sector of the pharmaceutical market is where biotechnology made its first impact. Apart from insulin, the most important product of this type is human growth hormone produced by *genetic engineering. This has a* sales potential far beyond that of its predecessor, growth hormone extracted from the pituitary glands of corpses, because supplies are much greater and it avoids the risk of infection associated with the natural product. The manufacturers – including Genentech, Lilley and Kabi Pharmacia of Sweden – hope that research will support the hormone's use beyond growth disorders in children; there is speculation that it could reverse some of the effects of ageing.

Interferons have not lived up *to the "wonder drug" hype* they received in the late 1970s but they are beginning to make an impact on cancer treatment and for treating some infections such as hepatitis. Analysts expect alpha interferons such as Schering Plough's Intron A and Roche's Roferon A to emerge as blockbuster drugs.

Biotech will make further progress in the anti-cancer and anti-infective sectors if and when the large number of drugs based on monoclonal antibodies, now under development, reach the market. Antibody-based drugs may also be very useful for treating rheumatoid arthritis and other chronic diseases that result from underlying disorders of the immune system.

In the cardiovascular sector, tPA – Genentech's clotbuster launched in 1987 and once expected to be biotech's first *blockbuster – has been a* commercial disappointment. Sales failed to take off after large-scale clinical trials showed that it was no better as a *treatment for heart attack* victims than streptokinase, a relatively cheap drug discovered in the 1950s.

Biotech has had several other serious disappointments and there are certain to be many more in the years ahead, as the industry matures. But, as biotech enthusiasts are fond of pointing out, the total market capitalisation of all independent biotechnology companies is no greater than *that of Merck, the largest* pharmaceutical group.

Of course, their combined R&D pipeline is far more extensive than Merck's but it remains to be seen whether they have sufficient financial resources, development expertise, production experience and marketing muscle to outwit the established giants.

Forecast of blockbusters in the year 2000

	Brand name	Generic name	Indication	Company	Launch date
$2bn+	Epogen	EPO	red blood cell stim	Amgen	89
	Losec/Prilosec	omeprazole	anti-ulcer, proton pump inh	Astra	89
	Neupogen	GCSF	white blood cell stim	Amgen	89
	Norvasc	amlodipine	hyperten/angina	Pfizer	90
	Pravachol	pravastatin	cholesterol lowering	Bristol-Myers Squibb	89-91
	Zocor	simvastatin	cholesterol lowering	Merck	89
$1-2bn		256U	herpes simplex	Wellcome	85-6
		calcitonin	osteoporosis	Various	75+
	Diflucan	fluconazole	antifungal	Pfizer	88-90
	Flixotide	fluticasone	steroid, asthma	Glaxo	93-6
		hGH	growth disorders/old age?	Various	86
	Imigran	sumatriptan	migraine	Glaxo	91-3
	Intron A	alpha interferon	cancer/hepatitis C	Schering-Plough	85
	Ogast/Takepron	lansoprazole	anti-ulcer, proton pump inh	Takeda	92/4
	Mevacor	lovastatin	cholesterol lowering	Merck	87
	Paxil	paroxetine	antidepressant	SmithKline Beecham	91
	Pepcid	famotidine	anti ulcer, H2 antag	Yamanouchi	85-6
	Proscar	finasteride	b prostate hypertrophy	Merck	92
	Prozac	fluoxetine	antidepressant	Eli Lilly	88
	Pulmicort Turbuhaler	budesonide	steroid, asthma	Astra	89-95
		tenidap	arthritis	Pfizer	94
	Vasotec	enalapril	hypertension	Merck	86
	Zantac	ranitidine	anti ulcer, H2 antag	Glaxo	83-4
	Zithromax	azithromycin	antibiotic	Pfizer	92-3
	Adalat + SR/Procardia	nifedipine	hypertension	Bayer	75-89

Source: Lehman Brothers

The US biotech industry ($bn)

	1992	1991	% change
Product sales	5.9	4.4	35
Total revenues	8.1	6.3	28
R&D spending	4.9	3.4	42
Net Loss	3.4	2.6	32
Number of companies	1,231	1,107	11
Employees	79,000	70,000	13

Source: Ernst & Young

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Alan Archer on the need for research and development and marketing departments to focus resources

Working together to create new products

AS research and development costs increase, the need to focus resources becomes ever greater. "R&D departments must join the marketing department in matching scientific expertise with market opportunities," said Dr Trevor Jones, Wellcome's director of research, development and medical, UK.

Market pressure on the world's pharmaceutical companies to find effective new drugs is increasing. According to the US Pharmaceutical Manufacturers' Association, the US industry is spending some $12.6bn worldwide on R&D. To achieve a 15 per cent return on investment, which is the minimum a company might expect given the risks, a 10 per cent per annum compound growth in sales (currently $231bn) is demanded when there is downward price pressure.

Companies most likely to be long-term winners in an increasingly aggressive and competitive R&D environment are those with effective R&D management which can make full use of the new technologies to discover new compounds and utilise the skills of the marketing department from early stages of the conception of an idea.

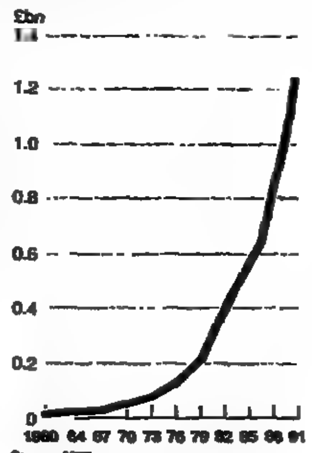
One such company is Wellcome, which believes the success of a pharmaceutical company depends fundamentally on the quality of its R&D and marketing activities and the interaction and synergy between them.

The three phases involved in the development of a product, according to Dr Jones, require good commercial input and this becomes more quantified and more important as each phase progresses.

A good example of where marketing and R&D can work together is on 5-lipoxygenase inhibitors, said Dr Jones. The lipoxygenase pathway is generally responsible for inflammatory disorders and is known to be involved in inflammation, whether it is inflammatory bowel, asthma, allergic rhinitis, psoriasis and arthritis. Dr Jones questions where the focus is on such products "These are all inflammatory conditions so if a drug works here at an early stage I want the marketing department to focus my attention on which of these areas is likely to be the one to go for, because, otherwise it is shotgun therapy.

"That is where I need someone to work with and agree together the focus beyond the

R&D expenditure by the British pharmaceutical industry



Source: ABPI

the discovery in the first phase," he said. "If it's asthma, because it's a big pathway, my first task is to go to volunteers to see if it works. It's then up to me to get to Phase II. That's when I need the marketing department to give me a design and business case, because I am going to start spending the £50m/£100m.

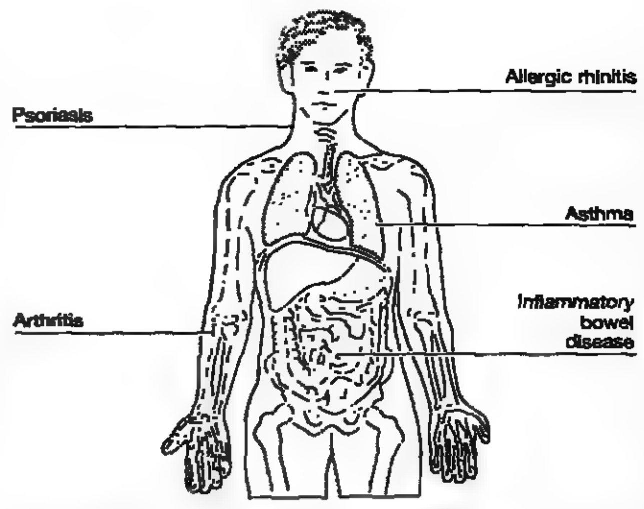
"The goals have changed considerably in the past five to 10 years," said Dr Jones. "If a drug is not going to make Wellcome more than £50m by year three, we are not going to do it."

Dr Rolf Krebs, chairman of Boehringer Ingelheim and former head of Bayer R&D, said: "Boehringer Ingelheim has no problem in choosing compounds. We are currently in the process of setting up and testing a properly functioning development process.

"You don't need to go for the big markets any more. You can go for niche indications. People formerly feared to go into small markets. But it's zero therapy, you don't know the size of the market. It depends on the economics of the countries and the severity of the disease. It makes you look at marketing and development in a different way."

Dr Krebs points out that the total cost of $200m includes the failures divided by the successful. "You have to realise that if competing in a highly competitive market you need a high therapeutic standard and need far more marketing. It takes three to nine years to establish a drug. If you have a lower therapeutic standard, but a completely new product, you need less marketing. That may well allow you to be more profitable in niche markets.

Inflammatory disorders



"The changes in technologies opens up niche markets for new drugs and this may be acceptable in the future. If you have indications with high therapeutic benefit you can get higher prices, and lower promotional costs. That could make niches very attractive."

Boehringer Ingelheim in the future will look at the medical properties of the compound and then decide what areas they are interested in – it may have a wide range of compounds. "I've told the marketing people this could happen. They have to re-organise themselves because marketing is no longer a stable function," said Dr Krebs. "We may have to jump from indication to indication".

The view taken at Ciba-Geigy is that they will work only in areas where there is an unmet medical need, where there is room for improvement and where there is internal know-how.

Dr Max Wilhelm and Pierre Douaze, head of pharmaceuticals at Ciba, said: "We don't necessarily have to have marketing expertise. If we don't and the market is really there we can build up expertise. We have a target of SFr300m by five years for any drug – if not we question the development."

They said the figure in the US is about $250m otherwise they will license out products, especially if it is a product aimed at general practitioners that would stretch marketing resources.

"At Astra the therapeutic areas were not chosen," said Dr Claes Wilhelmsson, executive vice-president of R&D. "They just developed – the medicine chose for us. Science leads us. If we have our own competence, we will develop. We are not going to start up areas which are not in our own field."

Astra is prepared to adopt areas. Three years ago the company was not in cancer, but isinto it now. Immuno-suppressors have taken it from the respiratory field to cancer. "We look for medicines where there are therapeutic needs and try to develop completely new ideas rather than me-too compounds. For example, we haven't developed an ace-inhibitor – we licensed one in from Hoechst," he said.

Alan Archer is editor of Financial Times Pharmaceutical Business News

Scientists are developing ways to control genes, says **Clive Cookson**

Poised for the big switch-off

PHARMACEUTICAL research will be transformed over the next two decades through the development of drugs that act directly on human genes.

Almost all today's drugs act on proteins, the chemicals that do the work in every living creature from virus to human. But the rapid expansion of genetic knowledge makes it possible to target the original cause of trouble – the genes that determine exactly which proteins the cells make.

Every week the world's molecular biologists announce the discovery of new genes associated with human disease. They are not only identifying the molecular causes of classic inherited disorders, such as cystic fibrosis, but are also finding unexpected evidence for the way particular genes trigger the most widespread illnesses of modern society, including forms of cancer and heart disease.

Scientists have already identified several thousand of the estimated 100,000 genes that make up the whole human genetic blueprint and, working through a loosely co-ordinated international effort known as the Human Genome Project,

Scientists have identified several thousand of the estimated 100,000 genes that make up the human genetic blueprint

they expect to have decoded the entire "handbook of man" within 10 years.

At the same time, other scientists are rapidly developing ways to manipulate the newly discovered genes. More than 30 clinical trials have started within the past two years, mostly in the US. Some involve gene therapy – inserting new genes into the patient's cells to produce therapeutic proteins in the body. Others are testing anti-sense therapy or code blocking – the opposite process of switching off genes so that they stop making harmful proteins.

These genetic drugs can be aimed either at defective genes in the patient's own cells or at infectious organisms. They promise cures for diseases that are hard to treat with existing medicines, from rare inherited blood disorders and cancer to viral infections. And their specificity should avoid the side-effects of today's protein-based drugs.

Anti-sense therapy is the more difficult to understand of the two approaches. It uses a short synthetic strand of nucleotides, the chemical building blocks of DNA and RNA, to switch off genes. Every gene has two complementary nucleotide strands, which together form the famous double helix. The nucleotides in one strand are said to have a "sense" sequence and the other an "anti-sense" sequence.

A synthetic anti-sense strand, known as an oligonucleotide, can be used in two alternative ways. It may bind to the sense strand of the gene's double-stranded DNA and produce a triple-stranded structure which switches off the gene. Alternatively, the oligonucleotide binds to the single-stranded RNA which the gene generates as a first step to producing protein; this blocks protein synthesis without permanently inactivating the gene.

Although a whole gene may have several thousand nucleotide units, anti-sense drugs are much smaller molecules with 15 to 25 units. This is long enough to make them completely specific. Each will recognise a specific sequence in the target gene, without binding to any of the 100,000 other human genes.

Pure oligonucleotides are not suitable for pharmaceutical development because enzymes would break them down before they reached their targets. Therefore anti-sense drugs are chemical derivatives, such as methylphosphonates, which are more stable than natural molecules and better able to enter cells.

US companies specialising in anti-sense technology include Isis, Genta, Gilead, Hybridon and TargeTech. Isis, based in California, is carrying out clinical trials of an anti-sense drug to treat human papilloma virus (which causes genital warts and cervical cancer) and other targets include viral diseases such as hepatitis B, Aids and herpes, leukaemia and other cancers and inflammatory disorders. Genetic MediSyn Corporation, based in Maryland, even hopes to develop an anti-sense drug against baldness, by blocking the production of an enzyme that is responsible for hair loss.

A serious problem with anti-sense drugs is delivering them to difficult sites inside the body. Therefore the first generation products are directed at the skin or at bone marrow cells removed temporarily from the body. But the anti-sense companies hope to solve the delivery problem by linking their drugs to other chemicals which enable them to permeate cells more effectively.

Oligonucleotides may not be the only means of switching off genes, however. Various small organic molecules are known to bind to DNA, and Proteus, the UK molecular design company, has formed a partnership with Genelabs Technologies of California (called Progene Partners) to develop these into powerful DNA-binding drugs, as an alternative to anti-sense.

Gene therapy is moving forward even faster than gene blocking. Researchers at the US National Institutes of Health carried out the first human gene therapy trial in September 1990 on a girl who had to be kept apart from other children because one defective gene in her immune system meant that she had no natural protection against infection. Every month since then she has received a transfusion of about a billion of her own blood cells to which copies of the correct gene had been

A serious problem with anti-sense drugs is delivering them to difficult sites inside the body

added (the treatment has to be repeated because the genetically-engineered cells gradually die). Her immune defences are now strong enough for her to go to school normally.

That success had led to a flood of proposals for gene therapy experiments in the US, where the clinical development of genetic medicine is well ahead of Europe and Japan. And, as with anti-sense, start-up companies are rushing to exploit the technology. They include Gene Therapy Inc (GTI), Somatix Therapy, Viagene, Targeted Genetics, Trans-karyotic Therapies and Vical.

Until recently the established pharmaceutical giants had left gene-based medicine to academic scientists and biotechnology start-ups.

They are now scrambling to catch up, by starting research in-house and forming alliances with the specialist biotech companies.

Dr Richard Sykes, chief executive of Glaxo of the UK, says his company did a survey of five anti-sense companies, looking for a partnership, "and came to the conclusion that Gilead was the best of them. Now we have 35 to 40 people working on this technology and they have another 35 to 40, with a joint project group to co-ordinate the work."

Estimates of future sales of genetic drugs are still highly speculative, though analysts talk of a market running into tens of billions of dollars within 20 years.

Paul Abrahams on the technology available for management of data

Computers speed up drug dossiers

THE pharmaceuticals industry has been slow to harness the rapidly-improving power of personal computing for clinical trials and registration of dossiers for new drug applications to regulatory authorities.

But a combination of changing demands from the US Food and Drug Administration and other national licensing bodies, together with the need to speed drugs through the development process has led to a huge expansion in the use of computers.

Mr David Matheson, senior vice-president at Boston Consulting Group, warns: "Drug development is like a paper factory churning out endless pages. Managing the logistics of data is shot through with difficulties and you can easily trip yourself up."

He claims buying personal computers for investigators so they can enter data remotely is not a difficult investment decision.

The amount of time it takes to organise data in a critical study following the last patient entry can be cut from 40 weeks to a fortnight, he estimates. Given that every day a top-selling drug is delayed can cost a company $1m, the savings can be immense. Mr Matheson reckons about half of drugs groups have started using computers, but few are totally automated.

"Remote data entry for clinical trials is one of the big issues for the industry at the moment. The theory is very attractive," claims Dr Frank-Joachim Morich, director of pharmaceuticals R&D at Bayer.

Dr Poste, research and development director at SmithKline Beecham, explains: "The Utopia would be that an electronic case report connected up to electronic hospital notes. You would then have a software system that acted as a gate, flagging any values that might cause concern. That would identify problems early before the data got into the main database and ruined it. Essentially you'd have an electronic quality control system in place that ensured consistency of case notes."

The electronic system would also help clean up the data before it can be analysed.

"There is a lot of duplication in quality control," says Dr Poste. "Since people know the data is going to be checked by someone else, they don't do it properly, but the dossier gets held up nonetheless. It should be done properly first time."

"The problem is that it's a real software headache," admits Dr Poste. At Bayer, Dr Morich says the software problems are such that although the company is slowly starting to use remote data entry, it is only beginning with smaller trials and before moving on to bigger ones.

Computers are also having an impact in computer-assisted new drug applications – known in the sector as Candas.

Traditional dossiers for new drug applications have consisted of thousands of pages of documents, that have been long to prepare and difficult to read. The aim of Candas is to submit dossiers on CD-Roms.

One of the first was Ciba's Voltaren, a non-steroidal anti-inflammatory drug used for arthritis. The medicine was submitted electronically after the company discovered the FDA reviewer was interested in computers. Although the dossier was well behind many paper-based submissions, it was third on to the market. Dr Max Wilhelm at Ciba says Canda is the group's prefered way of preparing dossiers.

The advantage of submitting in electronic format is both internal and external. Dr Poste says the real advantage of Canda is it allows several people to interrogate several hundred thick documents simultaneously – which helps the company and the regulator.

In addition, the company is better placed to respond to the regulators' questions. "It's all far less traumatic," concludes Dr Poste.

"I genuinely believe that the higher quality of information may accelerate approval from the regulators," says Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute.

There remain problems with Canda. Speaking recently at an London-based IIR conference DR Don MacLean, regulatory affairs manager in Europe for Syntex, warned of the problems of incompatible systems among European and US regulators.

Meanwhile, other companies must adjust internally. "Our scientists are are suffering," laments Prof Günter Stock, board director in charge of R&D at Schering.

"They are used to working on paper. People in registration have become experts over 20 years. Overnight, we can't expect them to become experts in computers. We certainly can't throw them out. We need young people who are used to technology but we can't afford both," he says.

Speed is essential when bringing drugs to market, says Paul Abrahams

When time can cost a fortune

REDUCING the time it takes to bring a drug to market has become the pharmaceutical industry's overriding objective. "The most urgent and immediate issue concerning the industry has been that of time to market," says Dr Jürgen Drews, president of international R&D at Roche.

There are two mains reasons for shorter development time. "First, you want to help the unmet medical needs of the public you are trying to serve," says Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute.

"The second reason is the limited period that a drug is protected by its patents. Time is money. Anything you can do to pick up time means millions of dollars in sales," he says.

The rule of thumb for drug development is that every day a drug is held back from the market costs the drug company $1m, explains Mr David Matheson, senior vice-president at Boston Consulting Group. Dr Willi Stammberger, head of development at Hoechst, estimates that one month's delay in launching an important new product results in a cumulative sales loss of DM30m ($18.6m).

Being late hits the company in two ways. It adds costs to the development bill and it reduces revenues at the end of the product's patent life.

Speed to market also offers competitive advantage. Dr George Poste, chairman of R&D at SmithKline Beecham, points out that no matter how good a compound is, speed is essential. There is no point being five years behind a competitor's product.

"It's fair to say that speed to market was the primary reason for success during the 1980s," says Mr Bob Easton, president of The Wilkerson group, the New-York based consultants. "It's no coincidence that the two fastest companies – Glaxo and Merck – are also the world's biggest pharmaceuticals groups."

But while most groups agree on the need to accelerate drug development, the performance of many groups continues to be disappointing.

"There's still tremendous variability in performance between different companies," says Mr Matheson. "The fastest at conducting phase two and phase three studies are three times quicker than the slowest. Some are taking eight years and some as little as two and a half years."

Many research and development directors justify the length of time they take to develop drugs by pointing out it is far more difficult to prove safety and efficacy in some therapeutic areas and indications than others. For example, it becomes clear within a couple of weeks whether or not an antibiotic works, whereas a central nervous system product can take years.

"Take the 5HT3s," says Dr Richard Sykes, chief executive and head of R&D at Glaxo. "Zofran for emesis was easy – you either feel sick or you don't. But for anxiety, depression ordementia it's much more subjective whether or not it works."

"Many R&D directors claim there's a problem of comparing apples and oranges. They are slower because their portfolio has more difficult drugs in it," says Mr Matheson at Boston Consulting Group. "But there is a systematic difference between companies."

There are huge differences in performance within therapeutic areas, according to Mr George Farrington, head of pharmaceuticals at The Wilkerson Group. In antibiotics, for example, the best companies can develop medicines in 60 months, compared with 250 months for the worst.

One of the key areas that drug groups can improve is the management of their portfolios. "You have to match resources to the portfolio available, being ruthless about which drugs they take into development," says Dr Tom McKillop, research and technology director at Zeneca. "You can't run 12 compounds simultaneously and then decide which one to bet on."

Many companies try to run too many candidates through their pipeline, which slows down the development of all of them. Dr Rosenberg at Bristol-Myers Squibb agrees that resources are always finite. "We have come to the conclusion that we need to focus our resources. Each compound at a late stage of development needs the best clinical trials that we can offer," he says.

At Schering, Prof Günter Stock, board director in charge of R&D, says a master plan is agreed at the start of the project. A key compound in accelerated development must not be held up by lack of resources.

The correct mix of products within the portfolio is also essential, says Mr Matheson. Groups must have a balance between familiar and new areas. If the area is familiar the company will know the regulators and understand the required end-points for the clinical studies. For new therapeutic areas, the development scientists are leaping the fences for the first time.

There must also be a balance of risk within the portfolio, especially in phase one trials, where the likelihood of a compound dropping out is higher.

Planning is critical, says Mr Matheson. Companies must consider:

- A balance between obtaining the necessary data for registration but not making the dossier too complicated.
- Integrating a team of pharma-economists into clinical development process so the cost-effectiveness of a drug can be incorporated in the regulatory dossier.
- Manufacturing. They must ensure adequate supplies of the compound are ready for clinical trials. Many groups take the risk of manufacturing large quantities before the end of pre-clinical development.
- Starting the pivotal study – usually the longest and largest – as soon as possible while ensuring the design is right.
- Managing the dozens of investigators around the world necessary for the trials. Some should be avoided because they cannot meet deadlines. Others need administrative and computer support.

There is a problem of convincing scientists of the need for urgency: Dr Stammberger explains: "It is not clear to the average scientist on the bench how much money you're losing by delaying a project."

- Coping effectively with the paper mountain that builds up from the clinical trials.

However, Dr Drews at Roche warns that rushing a product to market is not a panacea. "Bringing products to market in any quality as quickly as possible only makes sense if you have something worthwhile. There is no point developing something at the speed of light if it is trivial."

Paul Abrahams discusses how winners and losers are decided

Selection process is critical

DEVELOPMENT is a crucial component in the future fortunes of pharmaceuticals groups. Most have access, either internally or externally, to exciting research. But the way companies select new chemical entities and the way they develop them decides the sector's winners and losers.

"The development process is very important. Differentiation comes from the way you select research and how you use it in a creative and flexible way," explains Dr Rolf Krebs, chairman of Boehringer Ingelheim.

Selecting compounds is far from easy yet, according to Dr Richard Sykes, Glaxo's chief executive and director of R&D, this is where the critical decisions are made.

"It is critical to decide which projects to take forward. You have to know the medical need; you have to know that it is technologically feasible; and you have to be innovative. The drug must have the potential to be an important medicine – significant advantages in terms of safety and efficacy or both," says Dr Sykes.

Most R&D directors agree that any compounds must be innovative if they are to be successful. "If the industry does not generate enough innovative products, it will end up fighting cheap generics with me-too products," says Dr Krebs.

Defining, let alone generating, innovative products is not easy, however. "The problem is you don't know what's going on elsewhere," says Dr George Poste, R&D chairman at SmithKline Beecham. "Take Tagamet, our anti-ulcer product with sales of more than $1bn a year. Work began on that compound 30 years ago."

New chemical entities are like black boxes, says Dr Poste. It is far from clear if they will work and if they will be safe. You might be behind three other companies, but the opposition's second and third compounds could fall by the wayside, he explains. "Only generic compounds set out to be me-too drugs," says Dr Poste.

"Me-too has wrongly become a pejorative term," says Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute. "Science only moves in small increments. Giant steps are only made once in a decade or even every 20 years. The world's two top-selling drugs – Zantac and Vasotec – were me-too compounds, but with dosing or safety improvements."

Dr Poste agrees, pointing out that 25 of the 32 compounds given a me-too classification by the US Food and Drug Administration in the 1980s actually offered improved safety, tolerability or quality of life, or had better dosing than earlier medicines.

Developing innovative drugs is risky. Such molecules take longer to develop than me-toos and there is a heightened danger of them being cut for reasons of safety and efficacy. Dr Max Wilhelm at Ciba says a development portfolio must be balanced, with follow-up products in case some fail. There must also be a good mixture of safe bets and high risk-high reward products. He will only develop products that will reach annual sales of more than SFr500m.

Sometimes not being innovative can be justified, says Dr Wilhelm. He explains his recent decision to launch Lotensin, an ace-inhibitor for hypertension, even though the market is saturated and there is even price competition in the US. He argues that by developing the drug it gave the company access to experts and opinion formers.

Without Lotensin, Ciba's credibility in the cardiovascular market would have been undermined. "It kept us in the market place and in the scientific community – and it'll make some money," says Dr Wilhelm.

Other groups are far more Draconian in their approach. Dr Frank-Joachim Morich, director of pharmaceuticals R&D at Bayer, says he is pleased his company fails to figure among the top 50 groups listed in order of the number of compounds in development. He says there is no relationship between the number of compounds in development and innovation.

Dr Jurgen Drews, president of international R&D at Roche, has also become increasingly tough. "We have become very vigorous in refusing to develop agents that do not have an innovative profile. We have cut the number of compounds in development by 15 to 20 per cent over the past 12 to 16 months. We are learning to be strict."

Dr Drews says an increasingly large proportion of molecules proposed by research are now rejected. He reckons 10 years ago only 10 per cent of compounds entering clinical development made it to the market. Now that barriers are higher, the proportion reaching the market is at about 30 per cent. "There are fewer of them, they are of higher quality, and there is less attrition," he says.

An added complication to the development process is the need to conduct it internationally. In spite of efforts to harmonise regulations, authorities in the US, Japan and Europe, still often require different clinical trials. Given the costs of bringing a drug to market, pharmaceuticals groups must develop their medicines in all three regions, covering more than 80 per cent of the world market.

Not all companies have the expertise to do that. While some are beginning to license out products for co-development, others are turning to contract research organisations such as Bessalaar and Pharmaco of the US and Munich-based Harrison Clinical Research to conduct clinical trials.


Chemical process: to succeed, compounds must be innovative

Given the increasing demands of regulatory groups, most groups are looking to cut down on the numbers of studies and the complexity of studies they conduct.

"It's seductive when conducting trials to add in supplementary questions that aren't really necessary and that create enormous quantities of data that can't be analysed," says Dr Stephen Hill, medical director of Roche Products, Roche's UK subsidiary.

R&D directors must also be brutal in cutting projects, says Dr Sykes at Glaxo. "If a company is ahead of you and your drug is not as good, then you need to act. There's nothing wrong with cutting projects, the decisions have to be made."

Finally, the end product should be a good read, says Dr Drews. "The new drug application must be attractive and the dossier must have entertainment value. It must be something that is almost fun to deal with. It will then be read faster because the investigator becomes involved in a positive way," he claims.

Claire Wilkinson on motivating people at the cutting edge of science

Sharpened wits ensure success

ONLY ONE in 5,000 compounds investigated by pharmaceutical companies reaches the market place in the UK, and it takes at least 10 years for a new medicine to be launched.

How to motivate scientists to continue their search for a cure with the odds so stacked against them is a problem for drug companies. At the same time, adequate rewards and recognition are necessary to keep modern-day researchers from wandering away from the bench.

According to Dr John Taylor, senior vice-president, central research at Rhone-Poulenc Rorer, the peculiar nature of research breeds a positive attitude in scientists. "By definition, 99.9 per cent of research is failure. It takes 10 years for the researcher to see the results of his efforts, but research people are the ultimate optimists – they always believe they are going to succeed."

Like the inventor then, the researcher thinks his ideas are the best and that they will work. But of the 10 new potential medicines proposed each year within RPR's total research group, only one will eventually make it through the development phase.

RPR points to two principal reasons why projects are cut. The first, says Dr Taylor, is when a compound lacks clinical efficacy. "There's a good idea, the mechanism is nice, but it doesn't work when you use it in man." The second, he adds, is toxicology. "It does work, but all the long-term safety testing turns up a toxicity in an animal species that you have to drop."

When an R&D project is stopped, particularly at a late stage, companies have to deal with the disappointment felt by their drug research teams. As Dr Jim Wright, director and vice-president, human resources, for R&D at SmithKline Beecham, says, "It's never easy. By that time, people have got a real personal commitment to the outcome of that project."

One answer is to fully integrate the R&D function with the rest of the business, so it is not a sudden surprise when a project is shelved. Then, "it's not as if you've given away your little baby to the midwife and she has come back and said 'I'm sorry, I've dropped your baby on its head and it's died'," says Dr Wright.

Research at SB covers five main therapeutic areas. These are: cardiopulmonary; anti-infectives; inflammation and tissue repair; neurosciences; and vaccines. Review committees comprising commercial and scientific people meet regularly to discuss the development process. "If you can get that integration then there is much less disappointment," says Dr Wright, because "we are working as a team towards a common end point."

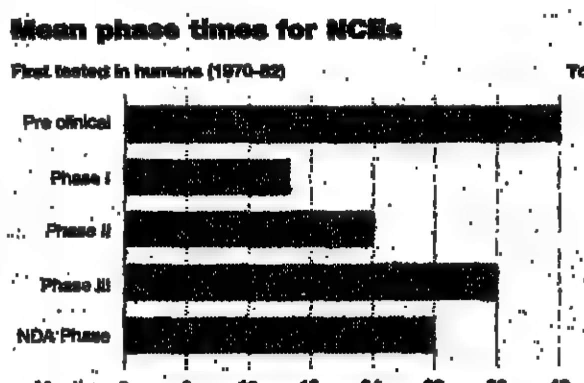
Team work though, is an expensive business and companies are increasingly aware that their scientists expect to be well rewarded, competitively within the market. "You're employing a group of people who need to be motivated by money like everyone else. They are highly skilled and their salaries have to reflect that," said Dr Taylor.

Scientists working for Glaxo, SB and RPR are rewarded according to a sensible merits system, which allows them to get right to the top of the scientific ladder. Benefits include: a salary increase based on individual performance; a bonus system linked to the business results; and longer term incentives based on stock options.

In addition to these financial incentives, most companies support their scientists' attendance at conferences and publication of their papers. Dr Frank-Joachim Morich, director of pharmaceuticals R&D at Bayer, says: "We encourage our researchers to be part of the scientific community."

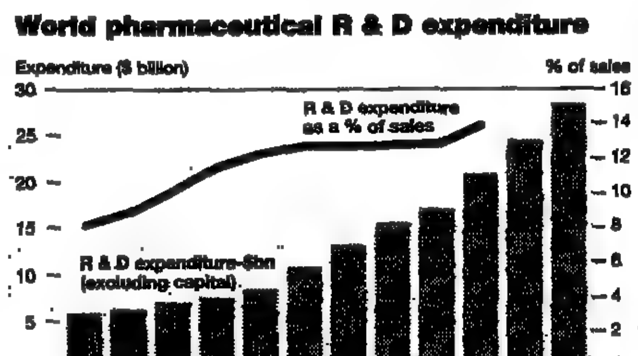
Even with scientific recognition, and all the material and financial rewards that go with it, scientists may not feel sufficiently motivated to stay in research for their working life. "You well recognise that they can't perhaps, or won't stay all their lives at the front of research," said Dr Taylor, "Few people can be at the cutting edge of science all their lives and not get burnt or wounded or cut."

Mean phase times for NCEs



Source: Grabowski 1991

World pharmaceutical R & D expenditure



Source: Centre for Medicines Research

First-aid treatment in this instance takes the form of annual career reviews, generating a dialogue for scientists who may wish to move away from the front end of research. For example, at RPR and SB it is quite common for a discovery chemist to develop into process chemistry after 10 years, and then perhaps into manufacturing. "People tend to evolve through an organisation. They've got tremendous qualities and potential to give to the group, which is why we develop them into other areas," says Dr Taylor.

With about 100 people working on any one particular research project, man management is a crucial part of science. Companies have to address the needs of top-quality scientists, but management of these scientists is equally important. Dr Taylor explains: "All the best scientists are not necessarily the best managers. You're looking for a very special breed of scientific management to manage your top quality scientists."

However, he points out that scientists often do have good human resource qualities, and these should be developed. "We have a plan for high potential people. We look at where they could and should be in five years' time, and their career would be plotted to develop their management skills," he said.

Like other global companies, RPR has three attractive locations, where its most talented scientists could end up during their careers (Philadelphia, Paris and London). So-called "ex-pat" moves can be transitional or permanent according to individual development, but such experiences come at a price. RPR sends only the top 5-10 per cent of its scientists abroad.

Competition, the need to be more cost-effective and efficient, and the rate of improvement of science means scientists have to meet tougher targets each year. In this climate, scientists encouraged to progress up the scientific ladder will in turn propel drug companies towards success.

"If the company is successful it is innovative, because all new medicines are innovative," said Dr Taylor. "We want to keep the very best people motivated and stimulated at the bench as long as we can. If they want to do it all their lives, then they're rare animals, and we want to provide a career path for those."

Claire Wilkinson is editorial assistant Pharmaceutical Business News

High costs may follow scientific success before a drug can be marketed

Scaling up for manufacture

DO NOT equate innovation with commercial success, warns Ian Smith, pharmaceutical analyst with Lehman Brothers International. Companies that are highly innovative in discovering potential new drugs may lack the resources – financial and technical, for example – to capitalise upon their success. It can take a lot of expensive science and engineering to bring a new drug discovery to the market.

At an IBC conference on the management of pharmaceutical research and development in London last year, Mr Smith addressed not just the perennial problem of picking winners but how to pick "blockbusters" early enough.

No-one should underestimate the technical effort and the cost that is needed to translate scientific success in drug discovery into a commercially profitable new medicine. In the late 1980s, when Wellcome came under pressure to reduce the price of AZT, its compound for treating Aids, the company had a manufacturing process it could not scale up because one stage was too dangerous – had already exploded, in fact. As its (then) chairman would point out, it had no idea at what cost, or when, it would solve the problem.

Similarly, Schering AG is having difficulties devising a way of manufacturing Betaseron, its new multiple sclerosis compound.

"There's a lot of hope involved in this sort of compound," explains Prof Günter Stock, board director in charge of R&D at Schering. "I don't want more hope than we can promise. It's a very complicated molecule and we don't know if we can produce it in commercial quantities."

Fisons ran into a different problem. Apparently trying to economise on the costs of manufacture, it ran foul of the US Food and Drug Administration, which claims the right to approve conditions of manufacture before licensing new medicines for the US market. The FDA placed a "detention order" on Opticrom and Imferon and Fisons was forced to undertake extensive improvements for Opticrom manufacture at its Holmes Chapel, Cheshire, factory.

Imferon has been abandoned and licensed out to a US company. Problems with these two medicines were blamed for a sharp fall in profits last year.

The importance companies now attach to these "downstream" aspects of the R&D process can be gauged from the apportioning of corporate responsibility. ICI Pharmaceuticals (now part of Zeneca) since the mid-1980s has brought responsibility for R&D, manufacture and production together under its technical director, Dr Tom McKillop, who is also deputy chief executive of the division.

For the past few years the division has been introducing a variant of what the advanced engineering industries call concurrent engineering, to try to tackle the technical problems of development successively instead of sequentially, and while the medicine is in clinical trial. To make it work you have to be technology-hungry, prepared to bring in technology from anywhere to speed things up, Dr McKillop says.

It can take as long as 20 years to bring a new medicine to the market, Dr Barry Price, research director of Glaxo Group Research, told a Royal Academy of Engineering conference on Strategies for Effective Research last month. Yet three out of four medicines that get to market fail to make money, he said.

Dr Angela Osborne, chemical engineer, checks a 450-litre fermenter

Glaxo faced problems with the FDA in the mid-1980s when the regulators let it be known that they had worries about the man designated to be the company's next R&D chief.

As a result Glaxo recruited instead a former employee, Dr Richard Sykes, from Squibb. Dr Sykes was acutely sensitive from the start to the international influence of the FDA and its technical judgments. In a management reshuffle at Glaxo last month Dr Sykes became chief executive while retaining, as chairman of Glaxo Group Research, his responsibility for R&D.

Ian Smith in his address on spotting the blockbuster made direct comparison between Glaxo and Fisons. The former was characterised by aggressive development, done as quickly as possible – "they throw money at it". Fisons spent less, were very successful at bringing new ideas to the point of clinical development, but never achieved the commercial potential they showed.

British Biotechnology, born in 1986 with the declared aim of becoming a leading pharmaceutical company by developing a second generation of genetically engineered drugs – was acutely aware from the start of the hazards that lay downstream in the R&D process. Unlike many research scientists who launched new biotechnology companies in the 1980s its chairman and chief executive had prior experience with the industry, at G.D. Searle's laboratories. They had taken new products of genetic engineering into pilot manufacture by the early 1980s.

Drs Brian Richards, chairman, who designed the Searle plant, and Keith McCullough, chief executive, were acutely aware of the need for manufacturing development to keep pace with the more highly publicised activities of drug discovery, and of the fast-growing influence of pharmaceutical regulators. They elected to subcontract manufacture of new chemical entities needed in quantities sufficient for clinical trials, but to manufacture in-house the often trickier biological entities.

In 1990 they embarked upon the construction of their biological production facility, close to the main office at Cowley. Designed with the help of biotechnologists at University College, London, the contained facility complies with the international regulations on the secure containment of micro-organisms, as well as stringent quality control and quality assurance standards.

The facility's main production area – a suite of nine rooms – is equipped with fermenters of up to 450 litres capacity. It has separate rooms for separation and downstream processing, as well as rooms for preparing microbiology and animal cell inoculums. Three separate product streams can run in parallel.

In addition, the building contains areas for protein purification by chromatography, etc, and cold storage for sterile filling and for decontamination by heat and chemical action.

The whole facility, including process development laboratories, is designed to Category 2 containment standards.

It has been approved for production by the FDA.

Not every company is pinning its faith on genetic engineering. But biotechnology could find a big role in manufacturing medicines from other sources, not least because of pressure for purer products. A good example lies with compounds that are mixtures of two steroisomers – left- and right-handed molecules. Normally, only one of the isomers is pharmacologically useful. The other is at best inert, and may even have undesirable side-effects; in other words, it is an impurity amounting to 50 per cent of the product.

Many companies are already alive to the issue for their existing products, both naturally derived and synthetic.

New methods of biosynthesis are emerging that yield only the desired isomer. The result may be not only a purer product, but a cheaper one.

David Fishlock

Peter O'Donnell explains why the terms on drug patents have been lengthened

Powerful economic assets protected

GOVERNMENTS have not lengthened patent protection for computers, for fuel injection systems, or for components for aircraft undercarriages. So why have the United States, Japan and the European Community all given just such special treatment specifically to pharmaceuticals in recent years?

Self-interest, is the short answer. Governments were persuaded that competitive capability was at stake, and did not want to throw away powerful economic assets that were capable of bringing important foreign trade earnings.

The US set the pace in the early 1980s, when its government accepted national drug firms' arguments that tougher drug testing requirements – and consequently longer lead times to launch – were eating into patent term and damaging industrial prospects. Pre-launch development had risen from three to four in the 1960s to around 10 years – thereby eroding as much as half the product's patent life.

Cutting the lead times was not a serious option in an increasingly safety-conscious sector: so in 1984, the government extended the length of US patent term for pharmaceuticals – secure in the knowledge that US companies, which held the lion's share of the US market, would be the principal beneficiaries.

When a similar logic convinced the Japanese authorities to extend drug patent life in Japan in 1988, the European industry was left with serious double trouble: not only were patents in Europe still being eroded by long lead times, but the Japanese and US moves had left European firms at what they claimed was a systematic disadvantage in competition with their main international rivals.

In consequence, from the beginning of this year a new legal instrument has come into force in the EC, designed specifically to provide additional intellectual property protection for pharmaceutical innovation. The Supplementary Protection Certificate (SPC), as it is known, will give up to five years' further market exclusiveness to medicines, in partial compensation for patent life lost while they were in pre-launch development.

As many as 50 new medicines a year could qualify for a total protection of 15 years from first launch. And European firms – who hold the largest share of European sales – will benefit most.

The pharmaceutical industry has produced a barrage of arguments why it is a special case. It contends that few areas of industry-funded research are so expensive (with an average new medicine costing ECU200m ($242m) to develop). It says that few areas of innovation are as easy to copy as medicines, and therefore so vulnerable to post-patent competition from generics. Or it argues that product life cycles are shorter in many other research-based industries, and in such areas longer patents are therefore less important.

But the real clincher – and the argument that provokes no scepticism in other industrial sectors – is that few areas of innovation run into lengthy post-patent controls before marketing. For many non-pharmaceutical innovations, product launch comes only months after patent grant – leaving more than 15 years of effective patent term. By contrast, as the EC's new SPC regulation expresses it, the lengthy development time for new medicines "makes the period of effective patent protection under the patent insufficient to cover the investment put in to the research".

There is some independent evidence to support the claims that drugs need patents more than most other products. According to the UK Patent Office, as few as 10 per cent of all patents are still being renewed in the final year of their life, and the average patent – across all sectors – is maintained for only 11 years; by then it is usually abandoned, because the product has failed, or been overtaken.

Drug firms, on the other hand, maintain that a new medicine is usually only getting into its stride in the eleventh year of its patent life. One of the few disinterested cross-sectoral comparative studies of the subject has also concluded that "in the patent field, probably only the research-based pharmaceutical industry is totally dependent on patents".

In any event, enlightened self-interest has convinced the member states that they had to act – not because research would be stifled without patent term reform, but because it could be stifled in Europe. The focus of the EC measure is clear: medicines which take a long time to research "will not continue to be developed in the Community and in Europe unless they are covered by favourable rules that provide for sufficient protection for research"; there is a "risk of research centres situated in the member states relocating to countries that already offer greater protection".

The perceived risk is not a breakdown in the development of new drugs, but a shift in innovation away from one region and towards another. The success of the research-based pharmaceutical industry in arguing its case on patent protection probably contains a moral for it as it combats increasing attacks on its pricing in the US, Japan, and Europe.

But patent term restoration does not please everyone. Generic manufacturers, who won useful trade-offs in the US legislation, are angry that they get nothing from the EC SPC. European consumer associations complain that patients will be worse off, because there are no competition measures to counter-balance longer monopolies. The Spanish government – which, like many of its national drug companies, never supported drug patents strongly – has launched a European Court action against the regulation. Even for the R&D-based industry, there are concerns over the new EC law: the strength of the SPC has yet to be tested in any court of law; and the mechanisms for granting SPCs are proving problematic (many of the applications submitted for an SPC since the beginning of this year have been rejected as inadequate).

Nonetheless, some other industrial sectors are showing interest in emulating the drug industry's achievements. In Europe, the chemical industry federation, CEFIC, has declared its readiness to back any sectoral request for patent term extension to compensate for time lost in pre-launch administrative procedures.

First into the fray are the pesticides manufacturers: the "SPC task force" of the European Crop Protection Association expects an EC proposal "in mid-1993" for an agro-chemical SPC.

The future may not be only a question of other industries catching up with pharmaceuticals, however. Within the pharmaceutical sector itself, although there is more or less a level playing field on drug patent length across the three principal drug-producing regions of the world since the start of 1993, there are already signs of moves to make some regions more equal than others.

In a just-published wish-list for better economic treatment for its members, the European drug industry federation, EFPIA, concludes a catalogue of demands with a mysterious cry which it at present declines to explain: "A Community-wide mechanism is needed to restore the normal 20-year period of patent protection for innovative products," it says. Is the drug world on the brink of a new round of patent term extension leapfrogging?

هكذا من الأصل

FINANCIAL TIMES SURVEY

EGYPT

The present capital market can scarcely be called a market at all: **Page 4**

Medieval streets in Cairo's historic zone are threatened by developers: **Page 9**

SECTION IV

Thursday April 22 1993

Early progress in IMF-led reforms has been encouraging, but the pace of structural adjustment proves more stubborn. The government is determined to crack down hard on the threat posed by militant Islamic groups. **Mark Nicholson** reports

Anxieties on the Nile

Imbaba: a Cairo suburb where thousands of troops recently rounded up 600 fundamentalists in a crackdown on terrorism — *Survey pictures by Tony Andrews*

EGYPT has suffered an unsettling year: a bomb inside one of the pyramids, tourists shot at and bombed, bloody security force reprisals against an intensified campaign of Islamic extremist violence, all this and an earthquake which ravaged some of Cairo's poorest districts. For the apocalypse-minded, of whom there are growing numbers among Egypt's disconcerted middle classes, it all betokens ill.

These Jeremiahs point anxiously at an apparently co-ordinated campaign of terror waged by the underground Gama'a al-Islamiyya extremists and at the rising joblessness and economic dislocation on which they seem to feed. They point at the Islamic "infiltration" and control of most of Egypt's influential professional associations. The most alarmist speak of an irreversible tide of Islamic fundamentalism now directly threatening the state. "These people are carrying out a plan to destroy Egypt," says Mr Said Ashmawy, chief justice of the supreme court for state security. "What is going on now is a civil war between the police and the terrorists".

But if any of these concerns are shared within Egypt's government, there are scant signs. President Hosni Mubarak, in an interview before his recent trip to Washington, was relaxed, even jocular. "It is not a threat to the regime," he insists, a message he carried with him to the US where, standing beside President Bill Clinton, he declared Egypt "as strong as ever", its leadership "firm and confident".

Of the government's firmness there can be little doubt. Its response to the Gama'a's attacks against tourist targets and police has been, by the president's admission "heavy handed". Thousands of alleged activists have been detained and 49 tried by military court. Thousands of troops entered the Cairo suburb of Imbaba in one raid to round up 600 suspects. Almost 50 people, including at least 11 security officers, died in gunbattles during raids on suspected Gama'a hideouts in March alone. Amnesty International, echoing growing concern among human rights groups, said that the government appeared to be waging a shoot-to-kill policy against the extremists.

Few of Egypt's middle class worriers oppose such state violence. The local and foreign business community, in particular, having seen the Gama'a attacks wipe up to $700m off this year's precious tourist revenues, believe that only such a crackdown will, in the short term, safeguard Egypt's secure image for investors and restore to its previous buoyancy a tourist industry which is Egypt's most sparkling economic prospect.

Few, equally, think repression alone is the answer. However much President Mubarak jabs a finger of blame at Iran for sponsoring recent extremism – a factor even senior foreign ministry officials privately play down – there is near consensus elsewhere that the roots of the violence, and indeed of creeping "Islamisation," are home-grown and more likely to spread than wither if confronted solely by force. "Ninety per cent of what you see is a rising tide of protest, more than a rising tide of Islamic fundamentalism," says Mr Said al-Naggar, a former executive director of the World Bank who last year set up New Civic Forum, a liberal think-tank and lobby group.

The protest, runs this widely held view, rises from the increasing hardship of the great bulk of Egypt's 58m people for whom impressive macro-economic progress under early stages of the country's International Monetary Fund and World Bank reform programmes has yet to produce any real benefits. The protest takes an Islamic voice, goes the critique, because the government has closed or controlled almost all remaining space for political expression.

The rise of Islamists to fill widening gaps, both economic and political, was starkly suggested by the response of the Moslem Brotherhood and other Islamic groups after last November's earthquake. Before the government's creaky bureaucracy had begun to deploy shelter and food to the broken streets in Cairo's poorest quarters, Islamic activists had smartly moved in to provide at least some of both.

To be sure, the government is waging hard the economic battle. Earlier this year Egypt sealed its first IMF agreement since it broke off discussions with the Fund in 1987, having slashed its budget deficit, stabilised the currency, bolstered reserves, pushed its balance of payments into surplus and embarked on structural reforms to the real economy, including a four-year privatisation programme.

These will be the focus of a second deal, under discussion.

The imperative for reform is urgent. By official estimates Egypt's inefficient *dirigiste* economy needs to be sufficiently rejuvenated, preferably by the private sector, to produce up to 500,000 new jobs a year for Egypt's young and still fast-growing population. Mr al-Naggar, who says such figures ignore massive underemployment in the sprawling public sector, believes the figure nearer 900,000 jobs yearly - implying annual growth rates of a presently implausible 8 per cent. The economy this year may grow by 1 per cent.

But the next, structural, reforms will also be the toughest to achieve in the face of deep vested interests, which will be threatened by further tariff cuts and sharpened competition, and the government's limited capacity to enforce increasing complex measures.

Further, the government has been extremely cautious about pushing reforms too far too fast, haunted by clear memories of the severe rioting after food price rises in 1977.

In these concerns, the IMF and World Bank are exceptionally sensitive, heavily influenced by US-led emphasis on Egypt's strategic value to the west. This importance, which both the US and Egypt mutually reaffirmed during Mr Mubarak's trip to Washington, was highlighted by Cairo's staunch role as shepherd of the Arab allies during the Gulf war. Recognition of this alone won Egypt tremendously favourable debt-relief, both through the the write-off of US and Gulf debts totalling nearly $13bn and through staged forgiveness of its then $20bn Paris Club owings tied to progress with the IMF.

Since the Gulf war, Mr Mubarak has sought to burnish this strategic value by attempting to place himself and Egypt at the heart of the Middle East peace process, capitalising on the country's unique ability to be interlocutor with the Palestinians, the other Arab parties and the Israelis in efforts to resolve the crisis over the Israeli-deported Palestinians. His anti-Iranian rhetoric also chimes in neatly with similar such statements recently emanating from the US State Department.

But if the west can offer a strong buttress for Egypt's economic reforms, not least by the continued provision of aid, it cannot address directly the political challenge offered by Egypt's Islamic groups, moderate and extremist alike. The challenge, or even threat, was clearly voiced recently by Mr Mahmoun Hudeibi, spokesman for the formally banned Moslem Brotherhood. "Unless the political system changes in Egypt, and there are more freedoms," he says, "terrorism will intensify. The only way towards political and social rectification is reform of the regime itself".

In the Brotherhood's eyes, these changes would be to allow it to participate directly in the country's political system, from which it is barred by a constitutional ban on parties based on religion. But Mr Mubarak will have none of this. Not only has the government introduced legislation aimed at diluting Brotherhood influence in the professional associations it now dominates, but Mr Mubarak also brandishes the example of Algeria to show what happens if Islamic parties are given their head.

But neither do Egypt's liberals, either secular or Islamic, believe that they are being *allowed sufficient political* space in which to develop an articulate response to the militants. Expressing such grievances recently, Mr Nabil Abdel-Fattah, of the Al-Ahram centre for political and strategic studies, wrote: "The ground rules do not exist for the kind of political game which makes it possible to reach consensus among various political parties, and imposes obligations and duties as well as providing guarantees for competing political forces".

Political options in Egypt, argue such liberals, are being narrowed to a false choice between Islam of an increasingly militant stripe and the coterie of figures which has run the country, largely unchanged, since Mr Mubarak took power more than a decade ago. The call for at least a rejuvenation of the regime is widespread among prominent Egyptians. "There are at least 500 people in this country who could run it as well as the US," says one leading businessman. "But the government will not allow them in".

Such a choice looks the more unhealthy amid newspaper stories of scandal in high places and the increasing willingness of critics to brand the government as not only out of touch, but as touched with corruption. "The rising tide is nothing but a protest at what people see as injustice, corruption and the violation of human rights," says Mr al-Naggar.

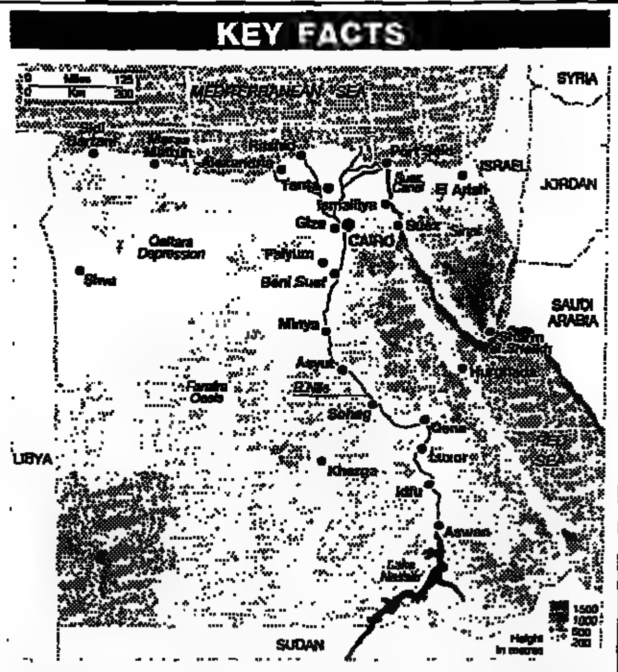
While the government has political control, and a preponderance of force, Mr Mubarak is probably right that violent Islamic extremism poses no immediate threat. It is almost equally certain that the government's reliance on political control and force alone will do nothing for the confidence of Egypt's Jeremiahs – or to thin their ranks.

IN THIS SURVEY

Mark Nicholson writes that progress is slow in restructuring the economy as required

Slouching in the direction of reform

KEY FACTS



Area	997,738.5 sq km
Population	54.7 million
Head of State	Muhammad Hosni Mubarak
Currency	Egyptian Pound (E£)
Average Exchange Rate	1991 $1=3.3300
	1992 $1=3.3303

ECONOMY

	1991	1992
Total GDP ($bn)[1]	29.6	32.6
Real GDP growth (%)[1]	2.3	2.8
Components of GDP (%)[2]		
Private consumption	84.3	n.a.
Total investment	20.5	n.a.
Government consumption	10.4	n.a.
Exports	30.4	n.a.
Imports	-43.8	n.a.
Inflation rate (%)[3]	19.8	9.1
Narrow money growth (%)[4]	6.1	7.0
Reserves minus gold ($bn)[5]	5.3	10.2
Total external debt ($bn)	40.6	n.a.
Debt service ratio (%)[6]	16.7	n.a.
Trade		
Current account balance ($m)	1,903	4,312
Exports ($m)	3,858	4,743
Imports ($m)	9,831	9,045
Trade balance ($m)	-5,975	-4,302
Main trading partners (%)[7]	Exports	Imports
US	7.6	16.1
Germany	3.7	10.4
France	5.9	6.9
Italy	14.8	6.8
Saudi Arabia	3.1	1.7
EC	28.3	27.6
Middle East	10.1	3.2

(1) Fiscal years ending June 30th. Forecast for 1992.
(2) Fiscal years ending June 30th.
(3) Annual percentage growth in CPI 1991 and Q2 92.
(4) Annual percentage growth in narrow money 1991 and Q2 92.
(5) At year end 1991 and October 1992.
(6) Total debt service as a percentage of exports.
(7) Percentage share of trade in 1991.
Sources: IMF, World Bank, Datastream, Economist Intelligence Unit.

SLOUCHING towards economic restructuring Egypt may be, but it continues to slouch in the right direction for the chief mentors of its reforms, the International Monetary Fund (IMF) and World Bank.

The two Washington-based institutions recently gave belated approval to the first phases of Egypt's planned reforms. In February the Bank unfroze a suspended $150m loan in approval of Egypt's accelerated privatisation programme. The IMF then stamped a delayed *imprimatur* on Egypt's first agreement since dealings with the agency resumed in 1991.

But it is the pace of Egypt's structural reforms which is likely to test the patience of the men from the IMF – who returned to Cairo in March to open talks on a second agreement.

While Mr Atef Obeid, minister for cabinet affairs and a prime interlocutor in the talks, is characteristically sanguine that a deal can be swiftly struck – "We can achieve this in a matter of weeks, I'm always optimistic," he says – all signs point to some tough, probably fraught, bargaining.

After sealing some impressive achievements on the financial front under the last deal the IMF, in closer co-ordination than is usual elsewhere with the Bank, will address itself mainly to structural reforms to the real economy.

Here, in pushing harder for more thoroughgoing privatisation, for further cuts in tariffs protecting swathes of uncompetitive industry and for improvements in investment regulations, the reformers' drive will come up harder than ever against entrenched vested interests and the government's determination to permit economic reform only at a pace it feels it can politically afford.

Progress under the first agreement has been substantial. A previously leaden budget deficit of 18 per cent of GDP is on target to reach just 3.5 per cent this year. Inflation of 20 per cent has been trimmed (by official tallies) to 12 per cent. Interest rates at just over 15 per cent are still high, but at least are now positive rates. The Egyptian pound holds tenaciously at about E£3.32 to the dollar. Reserves are a whopping $14bn. The balance of payments has edged into modest surplus for the first time in years.

Shoring up these advances was Egypt's considerable good fortune after the Gulf war, which led to a surge in remittances and the write-off of $7bn of US military debt and $6bn of debt to Gulf countries. Egypt's strategic importance in the anti-Iraq coalition also smoothed the way to a particularly favourable 1991 IMF deal, which brought with it an immediate write-off of 15 per cent of Egypt's $20bn Paris Club debt. A further 15 per cent was forgiven on completion of that agreement last month; 20 per cent more will be written off on accomplishing the second, which is slated for 1994. But the hard part lies ahead. On the financial side, the task is largely one of consolidation.

The hard part lies ahead – improvement has yet to translate into substantive benefits for the mass of Egyptians

Busy traffic near Cairo station

Western economists believe, for instance, that Egypt can cut its budget deficit further, perhaps even in line with Mr Obeid's optimistic forecast of a level of 2 per cent of GDP in two years and 1.5 per cent in three. Much will depend on continued success in improving the machinery of tax collection and expanding the new 2 per cent sales tax, measures which added E£6.5bn to state coffers last year alone.

The bigger hurdle, though, will be the task of dismantling the heavy and inefficient edifice of state control of the economy, much of which has lain crumbling but intact since the days of Nasser. In this, progress has been more modest.

Privatisation, the vanguard of these reforms, has finally begun in earnest. Bids are already being gathered for the sale of the first batch of 20 state assets and companies, among them a clutch of hotels and Nile cruisers and industrial enterprises including Suez Cement Company and the El Nasr Bottling Company. The government has promised to sell off a total of 85 of the country's nearly 300 public sector companies by 1997.

But the programme is already falling behind a delayed schedule. And Mr Obeid says he will not prepared to commit himself to naming more companies for privatisation until the government sees how sales of the first batches fare. "It can't be done quickly," says a western economist. "The whole programme could take at least 20 years." On tariff reduction there has also been a gentle start. In March the government cut the standard maximum rate to 80 per cent from 100 per cent for a range of goods, excluding some luxury items. But the IMF is pressing for more cuts – at first not much deeper.

New banking and capital markets laws have also been passed. But delight in the private sector that such moves have finally been made is severely tempered both by concern that haggling continues over the executive regulations of these laws and that they may be too intrusive to achieve their intended job of liberalising Egypt's underdeveloped financial system – a prerequisite for a successful privatisation programme.

All these structural reforms are likely to entail some short-term pain, largely in the form of forced unemployment, and thus run headlong into the government's deep concern not to squeeze too hard a poor and fast growing population which has already had to bear fairly substantial subsidy cuts (notably on fuel) in the past two years. The shock of serious rioting after food price rises in 1977 is never far from government minds.

The pace of reform is perhaps equally hampered by the government's technical, and to some extend ideological limitations. "The only ones making policy in Egypt are the IMF and the World Bank," says one sceptical banker. "The others are only civil servants, working within constraints, including their own mental constraints."

The government is also acutely short of the expertise required to implement an increasingly complex set of reforms, not least because of the public sector's dismal salaries. As one economist puts it: "The government is trying to implement sophisticated reforms without having more than a couple of sophisticated economists."

A measure of Egypt's technocratic poverty is shown by estimates suggesting that the country can only properly absorb 30-40 per cent of the billions of dollars of aid it receives each year.

But whatever the constraints, Egypt has overwhelming imperatives to accomplish reforms which, under the outline programmes of the IMF and World Bank, are seeking to achieve growth rates of 4 per cent per annum over the next decade. Present economic growth rates – likely to be [illegible] per cent this year – are inadequate for a population growing by 2.3 per cent a year.

This growth rate, and the accordingly youthful profile of Egypt's population, brings an estimated 400,000-500,000 new workers on to an impoverished job market every year. Count in under-employment, endemic in the public sector, and some independent economists reckon the economy needs to provide at least twice that number of jobs yearly.

Embracing these youngsters, and simply keeping up basic health, schooling and other services for Egypt's 58m people is an absolute priority for a government which, for all the finger-pointing at Iran as the cause of recent Islamic extremism, is well aware of the tinder for militancy provided by poverty and joblessness.

But the broad improvement to Egypt's financial health has yet to translate into substantive benefits for the mass of Egyptians. "Private sector investment has not yet provided the impetus for real economic take-off," says a western economist.

The imminence of that take-off depends on the pace of the next stage of reforms, and thus on the outcome of the next game of push-me-pull-you between the government and international agencies.

مكتبة الأمل

Politics full of uncertainty

Perceptions turn doubtful

President Hosni Mubarak is nearing the end of his second six-year term in office with the country in a state of political uncertainty greater than at any time since he succeeded Anwar Sadat in 1981.

Then a modest and unassuming man who eschewed the flamboyance and histrionics of his predecessor, Mr Mubarak appeared to offer a calmer, more practical approach to the mountain of problems faced by a nation wearied by war, stifled by bureaucracy and embittered by the perceived corruption of the government and the unrealised promises of Mr Sadat.

The peace treaty with Israel held; Egypt remained aloof from the turmoil elsewhere in the region; the economic "open door" policy registered modest successes, and with the release of political prisoners and a degree more freedom for the media, the nation's intellectual elite welcomed the new opportunity to express themselves.

With the return of the Arab League to Cairo, and generous debt forgiveness by western nations in recognition of Egypt's supportive role in driving Iraq out of Kuwait, Mr Mubarak appeared to be riding high in the nation's esteem. But as Mr Sadat discovered before him, international successes are no substitute for domestic achievements.

Egypt's relentless economic problems, most of all the unsatisfied demand for employment among the country's young, require an enormous national effort just to prevent further deterioration. The perception that Mr Mubarak's government is proving unequal to the task appears to be growing at all levels of society and has been heightened by the official response to the spate of bomb attacks launched by Islamic extremists.

By declaring all-out war against the terrorists and by demanding that the country's political organisations declare whether "they are with us or against us," the government is dictating a choice that calls into question its own performance.

"People should not be reduced to a choice between a corrupt ruling party and a reactionary religious one," according to Dr Ismail Sabri Abdullah, a leader of the leftist Tregammu party and former planning minister under President Sadat. His view appears widely shared across the political spectrum, especially by liberal, secular professionals and the Coptic minority which fears that a long-drawn out confrontation between the security forces and Islamic extremists will radicalise the country and further worsen economic conditions.

Mr Mubarak, however, remains adamant that the extremist violence is sponsored from abroad, will be defeated within months, and that there cannot be any comparisons between Egypt today and what is happening in Algeria or has happened in Iran.

He may be right. But his critics fear that that the consequences of the president having misjudged the situation could be disastrous for the country.

Mr Said el-Naggar, once considered by President Mubarak as a possible prime minister, has launched the New Civic Forum as a vehicle for articulating a more fundamental appraisal of Egypt's political requirements if it is to overcome the economic deprivation which is proving a fertile recruiting ground for extremism.

"I would like to think that Mr Mubarak understands that a third term in office for him can only be justifiable in terms of real political reform," he says.

He wants an end to "what is in effect one-party rule" and the start of a three-year transition process which would lay the foundations for all parties to compete equally, including the legally banned Moslem Brotherhood. "One major reason for the growth of Islamic fundamentalism is that political parties cannot express themselves as they should in a proper democracy," he asserts. "Repression, sometimes in a most severe and cruel way, is not the answer. It is a policy that cannot work."

Mr Husayn Amin, career diplomat, writer and academic, is even more outspoken on the failings of the government. "It has to be recognised that we are at the end of the road," he says. "This government is incapable of combating Islamic fundamentalism. It is perceived as so corrupt that it is incapable of winning the support of the masses. If you want to combat extremism then you had better arrange a new regime, a government that is seen as honest, capable, liberal and democratic and which can persuade the people to give it a chance."

He and others are dismissive of Mr Atef Sidki, the prime minister, and of the ruling National Democratic Party, which they claim has no ideology and serves only as a haven for opportunists and profiteers. "The perception in the country is that the ruling party will never permit a transfer of power," argues Dr Sabri Abdullah. "Therefore elections become quite meaningless. So the people's hope for change is not linked to the ballot box."

The last general election, at the end of 1990, was boycotted by three of the main opposition parties – the conservative New Wafd, the Socialist Labour Party and its tactically allied Moslem Brotherhood – providing an even wider margin of victory for the NDP. But the most virulent, specific criticism is reserved for Mr Safwat el-Sherif, the long-serving minister of information.

The steadily increasing religious content of television programming, designed to demonstrate that the regime is more devout than its radical opponents, is said by the minister's critics to be playing directly into the hands of the Islamic factions by allowing them to dictate the political terrain. The nation's newspapers, the least fettered in the Arab world, are also devoting increasing space to religious issues, a process mockingly referred to by Mr Amin as "our writers booking their seats in the next regime."

The fact that he, and others, are willing to speak so openly is acknowledged as a tribute to Mr Mubarak's continued liberalism and compares favourably with President Gamal Abdul Nasser and with President Sadat, who before his assassination in 1981 jailed over 1,500 of his most vocal critics.

Few believe that Mr Mubarak would ever resort to such tactics. But neither do they see much evidence that the president is willing to accept advice from outside his immediate circle.

Roger Matthews

Employment for young people demands an enormous national effort

Religion is both a political tool and a threat, writes **Roger Matthews**

Simple answers look attractive

THE politicisation of Islam is nothing new in Egypt. The strong religious attachments of Egyptians has long been both a tool and a threat for the ruling elite.

President Nasser used religion to broaden the appeal of his pan-Arab socialism. He nationalised its main teaching institutions in Cairo in order to strengthen his domestic base. He banned the Moslem Brotherhood, blaming it for attempts on his life.

President Sadat, in his turn, encouraged and fostered Islamic groups to counter the threat posed to him by Nasserites in the early years of his regime. He employed Islam to help justify his most controversial foreign and domestic policy initiatives, before falling victim to the Moslem extremists who assassinated him in October 1981.

President Mubarak has permitted himself to become no less entangled. But it has happened against a fast-changing international background and persistent economic deprivation at home, both of which are feeding the aspirations of his opponents.

The collapse of communism in the Soviet Union and eastern Europe, the demonstrable power of religious fundamentalism in Iran, and the frustration in many Arab countries at the perceived failures of leadership, have combined to create a situation in which the simplistic slogan "Islam is the solution" is gaining credibility.

Dr Fouad Zakariya, one of the leading authorities on Islam in the Arab world, believes that the failure of other ideologies has given a boost to the Islamic fundamentalists.

"They argue that Islam is the only thing that has not been tried," he says. "It also exploits the deep religious feeling among the Egyptian people and its activists are very well disciplined."

He has no doubt that it is a growing political force in the country, and cites the example of recent rioting in the town of Qalyoub outside Cairo as evidence of the public mood.

In this episode, a teacher was transferred from a school and four students expelled for listening to tapes of an extremist cleric in the classroom.

"The rioting by the people was immediate and spontaneous. There was no time for it to be organised. A church was burned, police had to be called from Cairo to restore order and the ruling against the teacher and students was reversed," says Dr Zakariya.

Such an incident claimed fewer international headlines than the spate of bombs and attacks on tourist targets, but it may better illustrate the dimension of the challenge faced by the government in trying to halt the erosion in its public support which has been noted at all levels of Egyptian society.

Recent moves by the government to change the voting requirements in elections for the professional organisations representing doctors, dentists, engineers and lawyers were designed specifically to break the hold established by the religious factions.

It is not just women students and those women from lower income groups who are increasingly covering their hair in public, but also the wives of the affluent who attend cocktail parties in Cairo's five-star hotels.

Society may be becoming broadly more conservative, as some Egyptians say, but it is more difficult to understand why men and women with higher educational qualifications would be persuaded by the arguments advanced by the Moslem Brotherhood.

Although still officially banned, the Moslem Brotherhood is just tolerated by the government. Until the last parliamentary elections it was represented in the National Assembly under the coalition umbrella of the otherwise politically irrelevant Socialist labour and Liberal parties.

An hour spent talking to Mr Mustapha Mashour, a spokesman for the party, offered plentiful criticism of the government but little enlightenment about the alternative which it seeks to represent.

Islam is the solution, he says, because the Koran is the word of God, and God knows what is best for the people. All other systems, particularly communism and capitalism, have failed precisely because they are man-made. On taking power – "hopefully within 20 years" – Mr Mashour says that the first task of an Islamic government would be the simple, easily-applied teachings of the Koran.

Alcohol and gambling would be banned and women would have to be veiled. Structural adjustments, such as the abolition of usury, would be introduced more gradually. But beyond that Mr Mashour could not be drawn. Critical problems, such as unemployment, would be resolved by "independent" *ulema* (clergy) being attached to government ministries. They would sit down with ministry officials and together apply the appropriate solutions provided by the Koran.

"We cannot provide a solution to just one of the country's problems in isolation. Islam has to be applied fully and only then can everything be arranged to satisfy and please the people," Mr Mashour says.

Tense times: Police on the street in Cairo

Some academics in Cairo argue that the best way of blunting the appeal of the Moslem Brotherhood would be to legalise the party and force it to reveal how little content there is to the Islamic solution. But it is not an argument which will be accepted by Mr Mubarak, who views the Algerian example as a dire warning to any Arab leader who is tempted to go down that particular path.

Other suspicions remain about the tactics of the Moslem Brotherhood, and not just at senior government level. Mr Mashour insists that it is totally opposed to violence and has no links with any of the extremist Islamic groups, such as the Gama'a al-Islamiyya and Islamic Jihad, which have been responsible for recent bombings.

"They could fight against terrorism much more emphatically if they wished to," says one academic. "The message could be spread from the mosques which they control, and they could probably do it directly to those who are responsible for the bombs. There is no evidence that this is happening. This could lead to the conclusion that the Moslem Brotherhood is playing the role of the more politically acceptable face of Islam, while the real game is being played in secret. It is very tempting to believe that there is some form of co-ordination which is being very carefully concealed."

Even if such co-operation could be proved it is unlikely to impress the poorest sections of society in Upper Egyptian towns such as Assyut, or in the most deprived areas as of Cairo such as Imbaba, where thousands of heavily armed police last month bloodily stormed an extremist hideout.

A walk through Imbaba reveals, however, not the tension and hostility which might be expected of an area where Islamic militants are supposed to hold sway, but rather the charm and humour of people who have learned to expect little from their government. Should their proven patience ever snap, it would be more a condemnation of government than the affirmation of an Islamic alternative.

Emma Tucker visits Cairo's stock exchange

Not the bustling place it used to be

CAIRO'S stock exchange is not the bustling place it used to be.

It was once the fifth busiest exchange in the world. Now it has been reduced to a largely empty room, 13 telephones, one or two brokers and several listless coffee waiters.

So few stocks are traded that a recent attempt by a group of academics to construct an index came to nothing and on most days, Cairo's 16 brokers average about two small trades each.

The casual atmosphere of the exchange – trading lasts for only two hours a day – might be about to change.

Independent analysts believe that successful completion of the first round of Egypt's IMF talks, some real progress with its privatisation programme and implementation of the new capital markets law, could lead to a sharp revival in Egypt's stock market.

"I think the potential in Egypt is so great, and the opportunity at the moment so big, that enough people from the Arab world and from the West are going to invest in Egypt to boost prices sufficiently," says Mr Miles Morland of Blakeney Management, a London based consultancy which looks at and reports on emerging markets.

The death of the Cairo stock exchange began in the 1950s under President Gamal Abdul Nasser. Although not all its listed companies were nationalised, portfolios were, and the compensation given to shareholders was significantly less than the value of their holdings. Mr Nassef Nazmy, a broker who started work on the stock exchange as a jobber in the 1950s, remembers nationalisation as a "suffering time".

But from his office in one of downtown Cairo's cavernous buildings he reflects that the worst is over. "We have just passed through the hardest period," he says. "Egypt's elite abandoned investment in securities after losing so much. Now we have to win back the confidence of their sons and daughters."

There is still a long way to go. Aside from the matter of whether or not Egypt can complete the liberalisation of its economy, a number of technical problems have to be tackled before the stock market can compete effectively with other emerging markets.

The exchange itself looks little changed from the days when President Nasser's socialist policies knocked the life out of it. Mr Fag El-Nour, chairman of the Capital Markets Authority has said that a new electronic stock exchange modelled on Singapore will replace the existing exchange, but as yet dealing is laboriously old-fashioned. Prices are chalked on the wall, and deals are relayed by a little bucket that dances above the heads of the brokers.

Under the new law, however, there is nothing to stop an alternative stock exchange opening. One Cairo-based consultant said it was open to question whether the current exchange would survive.

Other groups are apparently investigating the possibility of setting up a new centre. A workable index also has to be compiled. The last attempt failed because it was heavily weighted towards those shares with the biggest listed capital. As these never trade – they remain mostly under state control – the index was meaningless and had to be scrapped.

Merchant bankers at Kidder Peabody in Cairo have compiled their own index which tracks the movements of the smaller, more liquid companies: about 23. In time they intend to publish its results, but preliminary research suggests share prices rose by 30 per cent in the year to January, and has chalked up a further 30 per cent rise since the beginning of the year.

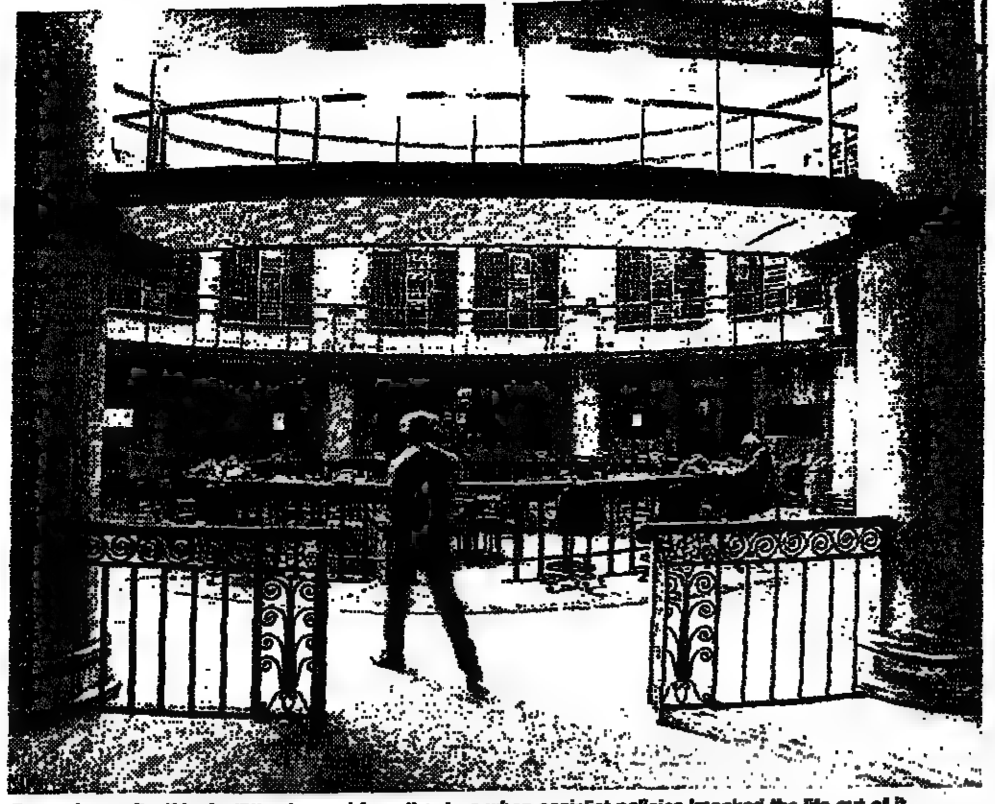
In spite of the technical constraints facing the Egyptian market, it is a difficult market for investors to ignore. "So many of the ingredients that led to stock market booms in Latin America and Asia are present in Egypt," says Mr Morland. "Reverse capital flight, fiscal and monetary reform, declining inflation, a growing economy and great potential foreign interest."

A Cairo-based analyst at an American Bank shares his optimism. "The Egyptian stock exchange will attract foreign investors," he says. "There is Gulf, western and domestic interest in the local market."

A further boost should come from the many private, closely-held Egyptian companies which will turn to the stock exchange to raise capital, once the new law is in place. This option was previously not available, and companies were confined to borrowing money from banks.

According to Mr Morland, privatisation remains the key to developing the market. He has estimated that with daily volume running at about $1m, the liquidity does not exist to absorb potential demand if Egyptian Treasury bill rates decline and money starts looking for an equity home – or if foreign funds try to get a foothold in the market. "Until privatisation creates the new supply, there is simply not enough stock available for a genuine market to develop," he warns.

Besides privatisation, potential investors will be watching the progress made with other structural changes, and the ability of the government to contain recent outbursts of fundamentalist terrorism. While there is general agreement that the Egyptian stock market offers a lucrative return in the short-run, investors will need some convincing that they should stick around for longer.



The exchange itself looks little changed from the days when socialist policies knocked the life out of it

Emerging capital markets

Law stifles more than it enables

TO DESCRIBE Egypt's present capital market as a market at all is wild flattery. Shares of debateable real value trade thinly on an antiquated and near comatose stock market, while the sole other negotiable financial instruments in the country are government bills. These are snapped up by the banks, and held there.

Even the treasury bills introduced under the continuing reforms ordained by the IMF are a recent revolution. For the 30 years since Gamel Abdul Nasser nationalised swathes of Egypt's industry, capital movements have largely comprised cosy transfers between big public sector enterprises and big public sector banks, or the privately-arranged share sales of closely-held companies.

This must change if Egypt is to see the structural economic adjustments on which it embarked in 1991 under co-ordinated IMF and World Bank programmes.

Pressed by the twin imperatives of creating a market into which it can make public offerings under its privatisation programme and that of invigorating the country's existing private sector, Egypt is trying to create a capital market, almost from scratch. "If this mystical privatisation is ever to take place, we need the capital markets in place first," says one foreign agency official.

Thus, with much help from the World Bank, Egypt produced and passed a capital markets law last June. "We have established the playground and the rules of the game, now we can let the players play," as Mr Ashraf Shams el-Din of the Capital Markets Authority puts it.

The aim, he elaborates, is to produce a "fair, honest, disciplined, professional and transparent market" in both equities and bonds, open to local and foreign investors and encouraging the growth of a slew of new financial intermediaries.

In particular, the new law aims to remove two basic impediments to the evolution of a capital market: a severe fiscal imbalance between securities and bank deposits, and an arbitrary ceiling on permissible returns from bonds.

The appeal of securities has been hugely dimmed: money in bank deposits earns good interest and incurs no tax; share transactions have carried both stamp duties and income taxes.

In total, the combined taxes on a single share transaction could reach 25 per cent of the equity's value.

The new law exempts shares in companies which issue to the public no less than 30 per cent of their total equity, and in which shares are held by at least 150 separate shareholders, from all but a 2 per cent capital gains tax.

On bonds, the law removes at a stroke a dusty 1948 edict which clamped a maximum 7 per cent coupon on any such instrument – a law which, essentially because of the high interest rates available on bank deposits, had alone scotched entirely any prospect of an Egyptian bond market.

Financiers and bankers unanimously agree that these two measures alone constitute enormous progress. But that is where optimism about the new law within Egypt's nascent financial services industry largely ends.

"In comparison to what we had, it's a huge leap forward," says Mr Ahmed Foda, managing director of Investments & Securities Group in Cairo. "But it falls short of our expectations."

The basic criticism is that the law has still not been enacted. Although passed in June last year, the executive regulations which were supposed to follow 90 days later were still under debate in late March.

Critics of the law consider it flawed both in detail and approach. Specific complaints focus on the requirement that companies demonstrate at least 150 independent shareholders before they can win full tax exemptions on their share trading – a constraint seen as particularly limiting in a country where the stratum of potential direct investors in securities is likely to be narrow.

Many financiers also worry that the law fails to outline in sufficient depth the terms and conditions for the creation of new financial intermediaries. But the broadest concern is that the law is simply too stifling.

"Rather than ask how we can create the right climate for a capital markets law," says one merchant banker in Cairo, "the Capital Markets Authority is saying, 'how can we take control?' There's too much emphasis on regulating a market where there's no market to begin with."

Several bankers suggest that the Capital Markets Authority, which is both the author and enforcer of the new law, has been excessively influenced by its experience in dealing with collapse, in the late 1980s, of several Islamic finance houses. "They've been traumatised into excessive regulation," says one banker.

Whatever its limitations, though, everyone in Cairo's now expectant financial services industry is willing to accept the new law as a start. And as we explore elsewhere in this survey, there are some early signs that investors in the stock market might be willing to bite.

Mark Nicholson

Mark Nicholson looks at the most recent developments in banking

Foreigners take the lead

After a tough and messy legislative battle, Egypt's predominantly public sector banking industry this year reluctantly overcame its xenophobia.

With a push from the president in February, the government agreed to allow foreign bank branches in Egypt to deal in local currency.

The measure was the latest and probably last refinement of Egypt's new banking law, which was passed in June last year.

But the modification may do as much in the long run to raise Egypt's cossetted banking sector to international standards as any other in Law 37.

At the law's heart is the requirement that all Egypt's banks meet by the end of this year the Basel Committee's resolutions on capital adequacy, a ratio of 8 per cent of recognised capital to risk-weighted assets.

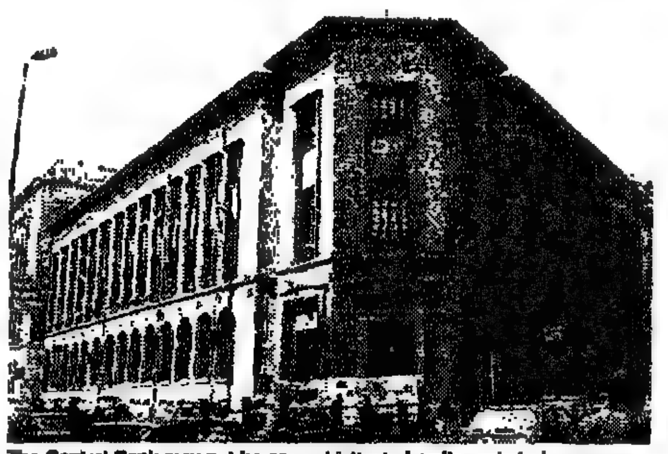
Law 37 also shifts control for the banking sector from the economics ministry to the Central Bank.

But many bankers in Cairo believe that it will be the influence of foreign banks' introduction of sophisticated services, practices and financial instruments so far absent from the Egyptian market which will do most to raise the local game. "We will initiate, and the locals will follow," says the manager of one foreign branch.

It was precisely the prospect of such banking technology transfer which led many in the public sector banks and the government itself to oppose the granting of full local currency rights to the foreign branches. The big four public sector banks, Banque Misr, Bank of Alexandria, National Bank of Egypt and Banque du Caire are feared for their oligopoly – they presently hold 65-70 per cent of domestic footings.

Allied to this was both an historic distrust of foreign banks, deriving from pre-Nasserite days when overseas bankers financed and somewhat controlled the key cotton crop, and continued resistance in some quarters of the government to further economic liberalisation of any flavour. But in the end, substantial US government pressure, pushed along by the IMF and interested parties such as Bank of America and Citibank, overcame.

Constraints on the operation of foreign bank branches might still be applied in the executive regulations for the banking law which are still under discussion. The law will not take effect until these regulations are promulgated by the president.



The Central Bank may not be as sophisticated as it needs to be

Among the limitations these regulations might impose are ceilings on the number of branches a foreign bank can open, a requirement that Egyptian branches be managed by Egyptians, and rules limiting entry to the market for overseas banks not already *in situ*.

But none of these potential limitations much deters foreign bankers in Cairo who are at pains, at the same time, to stress that they do not see themselves as competing with the big public sector banks, nor even essentially with the several joint venture banks these have formed in recent years with international partners. "We will complement, rather than compete," says one US banker.

Of the 22 foreign branches already in Egypt, no more than seven or eight are expected to embrace with relish the new opportunity. Chief among these are expected to be Citibank, Arab Bank, Bank of America, Bank of Nova Scotia and Paribas.

Neither do these banks see the opportunity as one of eroding the public sector banks' dominance of the local deposit market. Nor do they subscribe to the oft-repeated view that with a total of 102 banks servicing Egypt the place is over-banked.

"People take that view from the numbers," says one foreign banker. "100 banks, and thousands of branches. But Egypt is underdeveloped in a banking sense. Egyptians are hungry for new products."

"When it comes to plain vanilla commercial lending," says another, "the local banks can more than cope. What you don't see here yet, and what we can introduce, is leasing, forward currency dealing, commercial paper and interbank funding – there's almost none of that here yet."

Many of the foreign banks already have their eyes on developing the capital market in Egypt, for which new legislation was passed at the same time as the new banking law. There is, for instance, as yet no secondary market for government treasury bills. "We can make money off these, and make them liquid," says a US banker. One foreign branch is already planning Egypt's first non-government bond issue in decades.

Inroads into the retail market are expected to be limited, though Arab Bank is considering introducing a phone banking service for clients. Few of the banks likely to be most active in Egyptian pounds say they intend to open more than a handful of new branch offices, if any.

In commercial lending, the chance to lend in Egyptian pounds will enable banks to move out of a short-term straitjacket imposed by the fact that their clients' cashflow is in pounds while the foreign banks have hitherto been able to lend only in, for instance, dollars, with the attendant currency risk. "We have been practically been unable to do medium term business here as a result," says one banker.

But as foreign bankers in Cairo rub their hands together at the prospect of branching out into Egyptian pounds and inserting new sophistication into the Egyptian market, they nevertheless raise one substantial doubt. Few are entirely confident that the Central Bank is yet as sophisticated as it may need to be.

"The central bank should really be offering the best salaries in the banking sector, and not the worst," says one banker. "Until it does, I think there will be problems."

The Suez Canal Authority faces competition, writes **Emma Tucker**

Wider still and deeper runs the waterway's future

A Russian supertanker and a Moldovian bulk carrier glide peacefully between the sand banks of the Suez Canal. Along the edge of the 125 year old waterway, young conscripts watch idly in the sun as the tankers are piloted past.

The days are long gone when the far bank bristled with Israeli armaments and the canal was blocked by sunken ships. Now the canal authorities face new challenges: world recession and a competitor oil pipeline.

The number of ships passing through the canal in October and November 1992 was about 10 per cent lower than in the same month in 1991. Last year, the number of transits dropped from 18,221 in 1990-1991, to 17,473. Tonnage fell from 419m tons to 408m.

In spite of this, an increase in tolls at the beginning of 1992 meant that revenues rose by 10 per cent – to a record \$1.86bn – in the financial year 1991-1992, compared with the previous year.

The Suez Canal Authority (SCA) is now concentrating its energies on a project which will allow bigger ships to pass through the canal, improving competitiveness against the Cape route and the Sumed oil pipeline which has deprived the canal of a share of its trade from giant oil tankers.

Sumed, which provides an alternative to the Suez Canal route for oil between the Red Sea and the Mediterranean, is owned by a consortium of Gulf Arab oil producers and Egypt. An expansion scheme, to be completed by next year, involves the addition of a pumping station half way – an increase in storage capacity and an improvement in loading and unloading facilities at both ends.

In response, the SCA has started to deepen the Suez canal's draught from 53ft (16 metres) to 56ft (17 metres). This will allow ships of up to 180,000 dead weight tons to pass through it fully loaded. The project also involves widening the canal.

Mohammed Ezzat Adel, chairman of the SCA

According to Mr Mohammed Ezzat Adel, chairman of the SCA, a more ambitious project to deepen the canal to up to 72ft, enabling it to carry ships of up to 300,000 dwt, had to be shelved after feasibility studies showed it to be unprofitable.

Such a project will have to wait until world trade reaches new levels, he says. "Freight trades are very low. Now is not the time to embark on the implementation of such a monstrous project."

To keep abreast with world trade, however, the authority is continuing to review the way in which tolls are levied. Although tariffs increased last year, they averaged only 3 per cent, a slight drop in real terms. Meanwhile, a system of discounts has been introduced to woo ships away from the Cape route. Large tankers can get rebates of up to 50 per cent, while even more generous discounts are offered to ships coming from the Far East, Western Europe, the US and Australia.

The latest discounts are expected to increase revenues by about 5 per cent this year. Any ship choosing the Cape route over the canal because of expense is invited by the SCA to submit a breakdown of costs, allowing the authority to examine the competitiveness of its tolls.

Mr Adel is confident that the Suez canal will have a successful decade. He believes that financing further deepening and widening of the canal will not be difficult when the SCA decides the time is right.

The cost of the complete project – deepening the canal to 72ft – has been estimated at about \$350m. Borrowing such sums from the Egyptian government, at a time when the IMF is pressing it to cut its budget deficit, might not be possible. But Mr Adel says loans from the Gulf Arab states and the offer of soft loans from Japan mean there would be no "bottlenecks" in financing phase two of the expansion scheme.

"Financing is not considered a problem in the development of this international waterway which serves world trade and the economy of Egypt," says Mr Adel.

The 195km canal, which takes only 15 hours to navigate, is sometimes seen as a thermometer of world peace as well as of world trade

As for competition from Sumed, Mr Farouk Mohamed Nadi Abou-Taleb, director of the SCA's management department, admits that the expansion project of the pipeline will take trade away from the Suez Canal. But he points out that the income from oil tankers nowadays is about 25 per cent of the canal's total revenues. "The canal doesn't depend particularly on oil," he says. "Dry cargo represents the main factor affecting the income of the Suez Canal."

As world shipping trade recovers and peace talks in the middle east progress, Mr Adel (who describes the canal as a thermometer not just of world trade but of world peace) is optimistic. He believes that the 195km canal, which takes only 15 hours to navigate, will continue to attract the world's shipping fleets.

In the meantime the authority will "take small steps" towards its ultimate goal of being able to transport even the biggest carriers.

Mark Nicholson reports that as many domestic power plants as possible are switching to gas

Fuel oil freed to earn export revenues

Egypt is busy with its own version of the dash for gas.

To free up more of its limited oil reserves for export, and make the most economical use of unexpectedly good recent gas finds, Egypt is switching as many of its domestic power plants as possible from fuel oil to gas.

About 60 per cent of Egypt's annual gas output of 1.2bn cu ft is presently used to fuel the country's power stations. With output slated to rise to an annual 1.4bn cu ft within three years, the government hopes to raise the proportion of its power stations fuelled by local gas to 80 per cent from the present 60 per cent by 1997.

Fuel oil freed in the process will be exported to eke the maximum revenue from Egypt's crude sales. These last year earned just over \$2bn – a sum which, despite being 20 per cent down on 1991 as a result of softer world crude prices, was nevertheless Egypt's second biggest source of hard currency after tourism. Production last year averaged 870,000 barrels a day.

By the reckoning of many oil executives in Egypt, prospects for the oil sector are limited.

Present reserves are 6.3bn barrels, and few local executives believe that accelerated exploration in the Gulf of Suez, Western Desert, Mediterranean, Red Sea and Nile Delta regions will yield much more than a further 1.5bn-3bn in reserves.

In February the government approved exploration and production agreements with seven foreign companies, and the state-owned Egyptian General Petroleum Corporation is understood to be offering improved terms as an incentive to attract back to Egypt many of the oil majors which left in the mid-1980s, mainly as a result of uncompetitive government pricing policies.

The improved terms are likely to include raising to 40 per cent the amount of oil companies can dedicate to cost recovery in the first years of production, and lifting to 25-27 per cent from 18-20 per cent the companies' share of profit oil in their joint ventures with the EGPC. Terms for all production agreements are, however, made on a case-by-case basis.

Perhaps the most substantial incentive, however, has been provided by a precedent-setting agreement won by Shell to improve the terms on which gas prices are set.

The government earlier this year agreed to abandon a formula setting gas prices at 85 per cent of the price of fuel oil, replacing it with pricing at 85 per cent of the price of Suez Blend, a sweeter and thus higher-value oil.

This, combined with the fact that the government no longer insists on taking the full share of associated gas from any discoveries, is likely further to boost Egypt's already promising gas reserves.

Present known reserves of gas have doubled since the mid-1980s to 12 trillion (million million) cubic feet, and many in the industry believe these could rise further to 27t cu ft, or more.

Shell alone, for instance, is developing a field at Obaiyed in the Western Desert, which Mr Tarek Heggy, the Shell chairman, says could hold 3.1t cu ft in its first layer, and possibly a total of up to 9t cu ft in two further depths.

For the time being, Egypt's present intention is simply to use the gas for its power system. If further good finds take the country's reserves above 20t cu ft, however, several executives believe that Egypt could start exporting gas, either by landline to Israel or by pipeline to Italy or North Africa.

Attacks on tourists have damaged tourism, reports **Mark Nicholson**

The wrong sort of shooting

This had been billed as a record breaking year. The tourism ministry had pencilled-in possible receipts of $4bn from an expected 4m visitors for the 1992/93 season, at least $1bn better than the year earlier.

The private sector was more bullish. "The whole industry was shooting for $5bn this year," says Mr Taher el-Sharif, secretary general of the Egyptian Businessmen's Association.

But, as any media watcher knows only too well for the tourism ministry's liking, Egypt's tourism industry this year saw the wrong sort of shooting.

A bomb at the pyramids, one outside the Egyptian museum, a tourist shot dead in Upper Egypt, two foreigners killed in a cafe bomb in downtown Cairo and other attacks on tourist targets have devastated business.

Estimates vary of the damage done to the industry by the extremist Gama'a al-Islamiyya's campaign – which aims to undermine the government by attacking vital tourist trade earnings.

Mr Fouad Sultan, the tourism minister, reckons trade to be a fifth down on last year, when 3m visitors poured in $3.2bn worth of business. By the end of this year, he says, Egypt may have forfeited $700m in potential revenues.

Others are gloomier, and suggest that business since Christmas has been running at half last year's levels.

Some Cairo hotels in March were barely more than a third full. Others had slashed room rates in an increasingly savage price war. Transmed, a private charter airline, says business is down by at least 50 per cent. Egyptair, the national carrier, says trade is 40 per cent lower and has postponed the purchase of three A340 Airbus jets accordingly.

This is not the industry's first reverse in recent years. Tourists stayed away in aeroplane loads after the 1985 Achille Lauro hijacking and riots by Cairo security police in 1986.

No sooner had the industry recovered from those shocks than the Gulf war stopped the industry dead – individual tourists could have the pyramids to themselves at some points during the war.

But this time visitors are being deterred not simply by general fears of the region's instability or volatility, but by a direct campaign against tourist targets.

"The problem is we just don't know when this will stop," says Mr el-Sharif. "Unlike the Gulf war, when we knew there would eventually be an end".

In the meantime, the tourism ministry has been working on several fronts to restore in potential holidaymakers' minds the image of Egypt as a safe and sunny idyll of pyramids, pharaonic treasures and feluccas.

Mr Sultan has been tireless in attending the world's tourism fairs. He has hired Burson-Marsteller, the world's biggest public relations company, to promote more positive stories about Egypt in the world's press. Saatchi & Saatchi has also been enlisted to promote Egypt's fairer face.

Security has been intensified anywhere tourists set foot. Policemen sit in the entrances of popular restaurants, bags are searched at all hotels. Tourist police, troops and helicopters have been deployed in Upper Egypt, where the Gama'a began their campaign last summer by spraying gunfire at tour buses from the cane fields next to the Nileside roads.

But finally, the restoration of Egypt's tourism industry will depend most on the success of the violent crackdown by the security forces to eradicate the extremist threat. A considerable amount rides on such success.

Many economists in Egypt, not least in international agencies guiding the country's economic reforms, argue tourism to be its greatest hope. Before the present crisis the industry was Egypt's biggest hard currency earner, reaping $1bn or so more in 1992 than either hydrocarbon exports or Suez Canal toll receipts.

Since Mr Sultan became minister in the mid 1980s, the industry has grown by an average 17.5 per cent a year. "Tourism is the future," says Mr John Stewart of the International Finance Corporation. "Oil reserves are finite, the Suez has limited potential and remittances are likely to stay flat. Tourism is the only area where there can be real growth."

Under Mr Sultan's tutelage the private sector has also been allowed rare scope to flourish in the tourism industry. Tourist asset sales will also form much of the advance guard in Egypt's tentative first steps towards privatising its lumbering private sector; hotels and Nile cruisers comprising 8 of the first 20 assets or companies to be sold off this year.

"We are still barely tapping the potential," says Mr Sultan, who believes the industry could draw an annual 5m visitors within a year or two; 10m – as many visitors as Greece presently accepts – within a decade.

Indeed, the scale of present investment in the industry is exceeded only by that of Mr Sultan's ambitions for the sector. In a programme which anticipates the annual number of tourist nights in Egypt to double to 45m from the present 22m within five years, as much as E£10bn has already been committed by the private sector to add new hotel rooms and attendant infrastructure.

This will add at least 25,000 rooms to the country's stock of 55,000 by the end of 1994. Fourteen new hotels are being built at the Red Sea resort of Hurgada alone.

And it is in resorts like Hurgada, rather than more traditional Egyptian holiday haunts such as Luxor, Aswan or even Cairo itself, that the boom in capacity growth is taking place. Reaching out to attract mass tourism, adding sea, sand and sun appeal to that of its iconic historical past, the government has been handing developers large tracts of coastline to develop in the Mediterranean, the Red Sea and the Sinai.

Three mega-projects in these areas could alone see up to $3bn invested in the next few years.

The Sahel Hashish Coast Development Company has won approval for a $750m scheme to build a tourist village on a stretch of Red Sea coast between Safaga and Hurgada. A consortium of investors led by the Egyptian finance Company, is sinking an initial $150m into developing from desert a spit of land south of Hurgada into a full tourist complex, with hotels and a golf course, in a project which some of its investors believe could finally reach $1bn.

Dallah al-Baraka and a local Islamic bank are planning, in turn, a $1bn project to develop a strip of the Mediterranean coast between Alexandria and Mersa Matruh.

So far none of these projects has been hurt directly by the recent spate of attacks or the climate of uncertainty they have provoked. Some smaller investors have pulled out of at least one of these projects, but they have been replaced. "Let's just say what's been happening is not helping," says one investor, with understatement.

And from the government's perspective it is vital that nothing should derail these investments. The reason, as Mr Sultan is abundantly aware, is simple: jobs. "This is the only industry in the country which is capable of giving the new generation in this country enough jobs," he says. The minister says that already one in 15 jobs in Egypt depends directly on tourism. After the envisaged expansion, he says it will be one in 10.


Hands on paws: a young visitor plays happily in Cairo's Egyptian Museum

A great deal, therefore, will rest on the prospects of peaceful months between now and the real start of the Egyptian tourism season in October and November.

"We believe time will prove Egypt is as safe as it was," says Mr Sultan. But that lies outside his hands.

Emma Tucker visits a city more successful economically than socially

Cairenes reluctant to move

ORIENTAL Weavers, the Egyptian carpets company, is having a good year.

At recent international trade fairs, Omar Sharif accompanied sales representatives to promote a new range of carpets named after the Arabian filmstar; in Egypt, 7-minute long advertisements run regularly on television. The company's success is reflected in its palatial factory in 10th of Ramadan, a satellite industrial town 55 kilometres outside Cairo.

From the walls of the show room, a carpet of Hosni Mubarak, Egypt's president, peers down on the Sharif range – Lara, Russian Shawl, Lawrence and Arabian Nights, among others. Most of these and the other carpets manufactured by Oriental Weavers are destined for overseas.

The company is one of the most successful industries in the relatively new city called 10th of Ramadan – in memory of the war with Israel. It was established in the 1970s to encourage investment and help depopulate Cairo. Since then, more than 500 companies have come to the city, including furniture makers, heavy industry and pharmaceuticals companies. Other ventures are under way.

Many have been successful; the total output of the city is now more than E£ 3,000m ($900m) a year, with one-third of the total production exported. Most of the city's businesses are privately owned, mainly by Egyptians, although joint ventures with foreign companies account for about a third.

Overseas investors have brought in more than E£1,000m ($300m) with much of the capital flowing from Saudi Arabia. The US, Syria, and Kuwait have also invested.

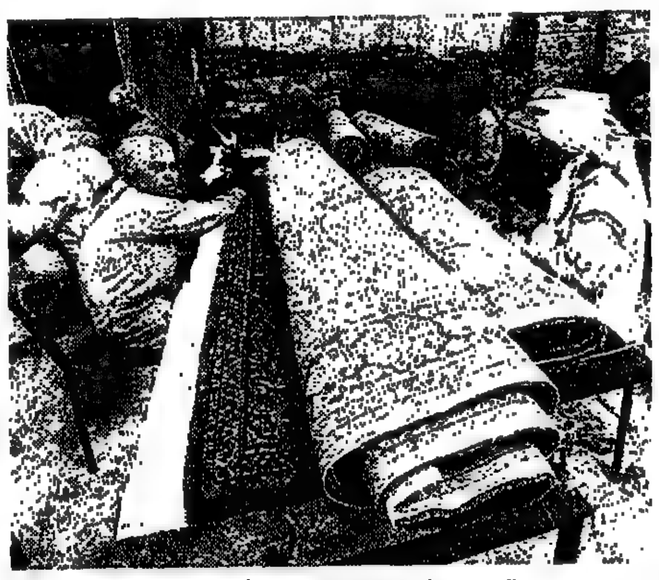
The general verdict on 10th of Ramadan, some 20 years on, is that while it has succeeded in attracting industry and creating jobs, it has not worked so well as a social experiment.

The air is cleaner, the roads wide and the apartments modern. Most of the city's employees are offered either free, or highly subsidised accommodation by their companies. But Cairenes have been reluctant to relocate, apparently preferring life in the ramshackle streets of the capital. Estimates of the number of people living in 10th of Ramadan are hard to come by, but the number quoted most often is 100,000. The city's capacity, however, is for up to 400,000 and lines of newly built apartments and villas stand empty.

Most of the companies operating there have to bus part of their workforce from Cairo and the Delta. Attracting labour is easy, because average wages are significantly higher than those in state-run industries.

At Oriental Weavers, the average wage for production line workers, including incentives, is E£500. The Egyptian International Pharmaceutical Industries (Eipico), which employs 1,400 at its factory in 10th of Ramadan, has an average starting pay for workers of about E£250.

Incentives for companies to come to 10th of Ramadan include a 10 year tax holiday – which can be extended if enterprises undertake further investment – cheap land, cheap labour and, after teething problems, relatively easy access to essential infrastructure such as telephone lines.


Children (working part time) making carpets in the new city


Pharmaceutical workers in 10th of Ramadan

The drawbacks remain the same as those for most companies operating in Egypt. Import tariffs in particular continue to reduce competition. Mr Haisam Mohamed Jameel, a representative of the Gromex furniture company, whose initial E£2m investment in 1980 has grown to E£10m, says the reduction of tariffs would help him compete more successfully in the international market.

"Importing raw materials such as wood, which we don't have, is a real problem because the import tariffs are very high," he says. But he benefits from the heavy protection the furniture industry enjoys.

The problem of attracting residents remains. Mr Mohamed Khairy Taha, financial director of Eipico, which has been operating in 10th of Ramadan since 1985, says the reluctance of workers to move to the city reflects Egyptian conservatism. "Egyptians do not shift easily. They don't like to leave their families."

None the less he is confident that in another 10 years the city will be self-generating. "Ten years ago you would have been afraid to move here. Now there are schools, supermarkets and sports facilities."

Aid agencies give other reasons for the failure of 10th of Ramadan to attract higher numbers. Transport between the city and Cairo is patchy, making it difficult for families to stay in contact. The city authorities were slow to develop social infrastructure such as schools and parks. Furthermore, unlike in Cairo, there are few opportunities for younger members of families to hustle for business during the day.

But A new park is about to open near the middle of the town and a sports centre is under construction. Each area of the city has a mosque and there is a church to serve resident coptic Christians.

And Mr Mohamed Farid Khamis, chairman of the Oriental Weavers Group, is building a sumptuous-looking villa on the outskirts of town.


Housing provided for employees at the new city's various companies


Gromex furniture: an E£2m investment in 1980 has grown to E£10m

Emma Tucker reviews the progress of the government's family planning programme

Fewer children mean a better life

In a large, shabby room in old Cairo's Zeinhom district, a small gathering of head-scarfed women is waiting to see Dr Mawaheb El-Mouelhy.

"There is no excuse for not using birth control in Egypt," says Dr El-Mouelhy, who has been running the family planning clinic since 1986. "Anyone who wants it, can get it."

Certainly the Egyptian government has been very active in promoting family planning since 1985 when the National Population Council was established.

A blunt television campaign tells women that fewer children will mean a better life. On street corners, billboards urge parents to content themselves with two babies. There has been assistance too, from the Grand Mufti, Egypt's highest authority on Islamic jurisprudence. In a pamphlet entitled "Birth Planning and the Religious Point of View," he declared that family planning did not contradict the teachings of Allah.

The NPC has an office in every region of the country. Under a programme sponsored by the United States Agency for International Development, Egypt has been flooded with highly subsidised intra-uterine devices (IUDs).

Total births per year have dropped from 1.92m in 1988 to 1.65m last year. The birth rate has fallen from 39.8 per 1,000 in 1985 to 29.9 per 1000

Advertisements urge parents to content themselves with two babies

The official figures are impressive. Total births per year have dropped from 1.92m in 1988 to 1.65m last year. The birth rate has fallen from 39.8 per 1,000 in 1985 to 29.9 per 1000. The contraceptive prevalence rate – women of child-bearing age using contraception – has risen from 24.2 per cent at the beginning of the 1980s to 47.6 per cent at the beginning of this decade.

Unfortunately these figures cannot mask the fact that the total population is increasing by over 1m a year, and that at current rates it will take only 30 years for it to double to 114m.

The Egyptian Gazette, an English language daily, poured scorn on the official population statistics earlier this month. It quoted from a report which put the total population about 2m higher than the official count of 56.434m. In spite of efforts by the government and aid agencies, Egypt's heavily burdened resources are coming under too much pressure – 96 per cent of the population live on 4 per cent of the land. A short drive out of Cairo along the Nile is enough to see how crowded the thin strips of green either side of the river have become.

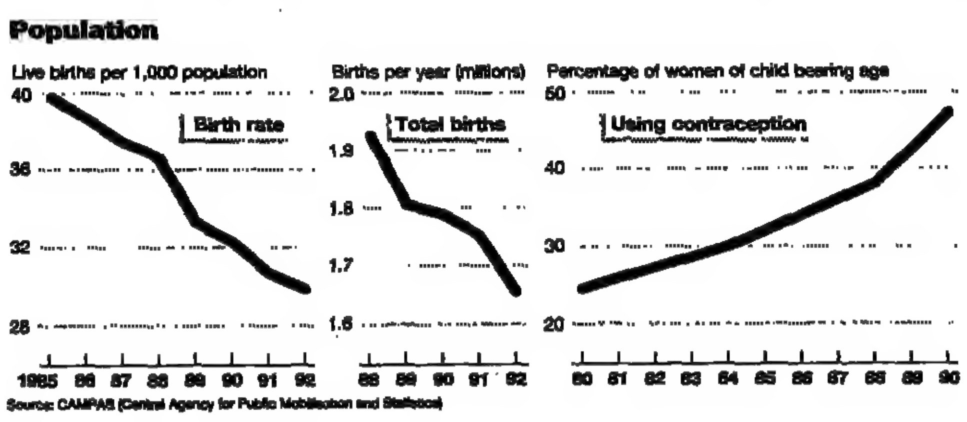
Dr Sobhi Abdel-Hakim, professor of population studies at Cairo University, says that the government's target is to reach a total fertility rate of 2 per cent, at which point the population would be replacing itself. He believes this can be achieved by the year 2025, but the areas outside Cairo and Alexandria continue to present an enormous challenge.

Statistics culled from the rural communities of upper Egypt are significantly less impressive than those from the big cities – tradition and lack of resources combine to hinder the progress of the campaign. One aid official pointed out that the proportion of women of childbearing age using contraception – to over 40 per cent since methods of birth control became easily accessible – reflects a demand that was already there.

"These are the women who wanted to use contraception but never had access," he says. "It is going to take a much greater effort, and much more investment in information campaigns, to persuade those who are reluctant."

Although the NPC is represented in every governorate of Egypt, Dr Maher Mahran, chairman of the NPC, says that doctors – female doctors in particular – are reluctant to work outside the big towns. The government is trying to reach rural communities with mobile units, but low resources mean that the effort is very stretched.

The biggest block to progress in rural areas remains poverty. Dr Mouelhy tells the story of Zeinab, in her late thirties,



Source: CAMPAS (Central Agency for Public Mobilisation and Statistics)

pregnant for the tenth time. Zeinab and her husband, a farmer, were proud of it; they told Dr El Mouelhy that one more child meant two more helping hands.

Poor education – especially education of women – and the tradition of marrying young is also widespread. Dr Mouelhy, who sees up to 40 women a day at the Cairo clinic, says it is unusual to meet a woman of 20, particularly in rural areas, who has not already had a child.

Girls usually leave school at 11 and are often married by 14, although the legal minimum age for marriage is 16. Moreover, parents tend to keep reproducing until a son has been born.

There are also fears that the rise of Islamic fundamentalism will work against government and aid agency efforts to bring down the birth rate. Although the Grand Mufti has spoken in favour of family planning, some imams have been preaching against it in local mosques.

"The feminist movement is going downhill here," says Dr Mouelhy. "We were the pioneers of the movement in the Middle East, but now it is going backwards."

While the government is committed to the work of the NPC – scarcely a speech passes President Hosni Mubarak's lips without some reference to the problem of population growth – those in the field feel the government should do more to promote the cause. About a quarter of the funds spent on family planning in Egypt comes from the government, but about 25 per cent of it is in kind, through air time on television and radio.

"Mubarak doesn't put his money where his mouth is," says one aid official. "The government doesn't provide enough of a budget to the population council so it can't be as effective as it should be."

He worries that the increase in the contraception prevalence rate is artificial, and that the moment USAID stops providing IUDs, it will drop back.

Although Dr Mahran is pleased with the progress of the NPC's work, he remains outspoken about the lack of funds. "The most serious issue is time," he says. "The clock is ticking in Egypt and each time you postpone a project by just six months, you lose a lot. We have reached a critical stage."

Back at the Zeinhom clinic, Dr Mouelhy reflects that when she started work there in 1986, she rarely saw a woman seeking contraception after just one child.

"The traditional belief that a woman's only job is to produce children is still strong here," she says. "But we now see women who want to spread out their families, or take a break from pregnancy, and it gives me such a thrill to see women and children in good health."

Environment priorities are population control followed by water, water, water – and water

Some plans may see the light of day

The Helwan cement works is one of the bleakest legacies left to Egypt by the late President Nasser. A sprawling jumble of pipes, chimneys and tips, it creates a grotesque fug stretching 20km along the road south of Cairo – streets, trees and residents cloaked in a fine white dust.

Little has been done to reduce emissions from the cement works, in spite of a commitment from the government to "do something," and the existence of several willing overseas donors. Like many environmental abuses in Egypt, grand talk and large sums of money precede action by a long way.

Not all of Egypt's environmental problems are as visible as Helwan. Unfortunately, many are even more pressing.

Mr Ahmed Abdel-Gawaad, an academic who specialises in environmental pollution, says Egypt's priorities as far as the environment is concerned are firstly population control, followed by water, water, water and water.

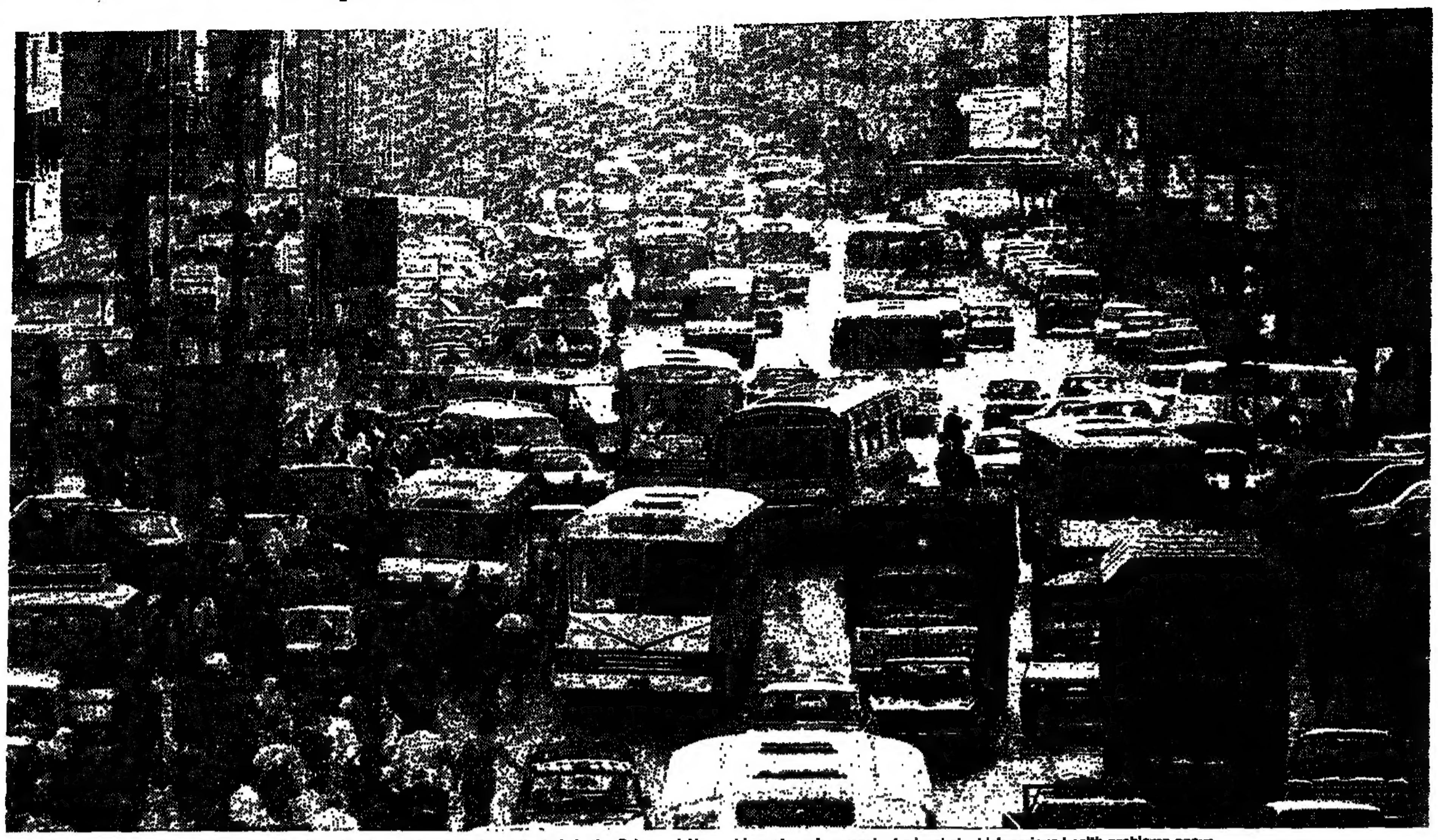
"What we do to the Nile today, we will pay one hundred times more in 10 years," says Mr Gawaad, who despairs of the government's grandiose action plan to clean up the environment, published last year.

He criticises it for being a document designed to attract international donors, rather than a coherent strategy to tackle Egypt's environmental problems from the bottom upwards.

Nonetheless, it is an impressive piece of work, covering everything from degradation of natural resources to protection of Egypt's cultural heritage. It describes Egypt's growing population and natural resources as being on "a collision course."

"There is a growing concern that the very limited water resources are becoming increasingly polluted because of the excessive and improper use of the resource, and that the nation will have to bear heavy costs in terms of health and productivity of its population, unless action is taken to improve resource management," says the report.

Some of the government's plans may see the light of day after June, when a new environmental action law is scheduled to be passed. The law will lay out the powers and functions of the environmental



A government action plan says that the emission of pollutants into the air, particularly in the Cairo and Alexandria regions, has reached a level at which serious health problems occur

affairs agency, answerable to the prime minister. Meanwhile, some $400m has been pledged by a variety of donors for different projects.

The action plan identifies four main areas, all of which should be tackled to a greater of lesser degree over the next five years.

● Land and water resources: The Nile provides more than 95 per cent of Egypt's water requirements, but untreated urban and industrial effluent is endangering the health of the hundreds of thousands of people who depend on it. Meanwhile, soil salinisation and water logging are affecting the productivity of agricultural land. The government says that water pollution is contaminating drinking water sources, encouraging the growth of pathogenic bacteria and parasites and contaminating fish and other food products.

● Air pollution: According to the action plan, the emission of pollutants into the air, particularly in the Cairo and Alexandria regions, has reached a level at which serious health problems occur.

The number of vehicles in the greater Cairo area, for example, has increased by 10 per cent a year since 1980.

The plan singles out Helwan as one of four areas with the worst air pollution in Egypt. The efficiency of air pollution control equipment is, the action plan report says, generally questionable.

● Solid waste management: Rubbish collection in Egypt is haphazard. In high and middle-income areas, collection rates are higher because of the greater value of the actual waste, while in poor areas there is often no collection at all. As the report says: "The lack of an adequate management system creates a large risk for spread of infectious, parasitic and epidemic diseases, through people involved in the collection of the waste, children playing in the streets and scavengers making their living on the dumpsites." There is as yet no system for disposing of hospital waste. This ends up, along with everything else, on the communal tips.

● Protecting Egypt's heritage: The government is concerned that earnings from tourism will not be sustained if inappropriate developments degrade the initial attractions. These would include not only the ancient monuments of the Nile Valley, but also the precious coral reefs of the Red Sea.

Attached to each of these areas is a list of specific – and less specific – proposals. Some, such as reducing subsidies on harmful pesticides, should be relatively easy to implement. Others – developing air emission policies and "methods of enforcing them" – might take longer.

The biggest frustration for Mr Tarek Genena, director of the Technical Co-operation Office for the Environment, is that everything takes too long.

"We always end up with studies, plans and so on, but there is not enough implementation. There is a great need for co-ordination between the international and national efforts," he says, adding that duplication of studies and no central system of information mean that every time the environmental affairs agency wants to embark on a new project, it has to "reinvent the wheel". Mr Genena says that an agreement with the Overseas Development Agency to set up a documentation centre will move things in the right direction.

International donors are interested in backing about 40 priority projects – many to prevent discharge of industrial waste into the Nile. Donors involved are the World Bank, Denmark's Danida, the EC and other European governments.

Emma Tucker

Roger Matthews reports that the Arab-Israeli conflict still dominates foreign affairs

Commitment to peace is at the core

PRESIDENT Sadat could not have been aware when he travelled to Israel in 1977, of the extent to which he was anticipating the realignment of international relations in the Middle East.

While the peace treaty effectively denied the possibility of the Arab confrontation states going to war again against Israel, it was the collapse of the Soviet Union which confirmed the necessity of making peace. Gone are the days when superpower rivalry could be used as a lever in foreign relations.

The necessity of establishing a rapport with the US is nowhere more evident than in the changed attitude of President Hafez al-Assad of Syria, once the most hawkish of Israel's enemies and bitter opponent of Mr Sadat, now a man praised by President Clinton for his positive approach to the Middle East peace process and once more a visitor to Cairo.

Gone, too, are the days when the foreign ministry in Cairo was scarely able to stifle its frustration at the lack of consultation and controversial policy initiatives of the country's president.

Mr Amr Moussa, the present foreign minister, is reputed to be one of Mr Mubarak's most trusted associates – and Egypt can but benefit internationally from the presence of Dr Boutros Boutros Ghali, a former minister of state, at the UN – and of Dr Abdel Meguid, a former foreign minister, as the head of the Arab League.

What remains at the core of Egyptian policy is its relationship with the US and the desire to see the Middle East peace process succeed. Mr Mubarak emphasised in an interview with the Financial Times both his total commitment to help bring peace to the region and his belief that on the issue of aid the US should treat Egypt no less well than Israel.

Securing President Clinton's support for a continuation of the annual $2.1bn in civil and military aid from the US had to be the primary objective of Mr Mubarak's visit to Washington earlier this month. In return, Egypt seeks to promote itself as a strategic partner, the most reliable Arab ally, and a persuasive force for moderation in the peace process.

Egypt's strategic value was proved during the 1990-91 Gulf crisis when Mr Mubarak, angered by President Saddam Hussein's personal deceit about Iraqi intentions, moved with uncharacteristic haste to support, politically and militarily, the Allied effort to liberate Kuwait. But Egypt, along with most other Arab governments, is increasingly concerned about the longer-term political consequences for Iraq of the international boycott and the two air exclusion zones which threaten to divide the country into three.

At present that concern is being expressed primarily in humanitarian terms. Mr Mubarak and foreign ministry officials stress the need to limit the suffering imposed on the Iraqi people as a result of their leader's actions. They argue that Egypt has legitimate interests in Iraq through the presence there of between 800,000 and 1m Egyptians, even though many of them have taken Iraqi nationality.

There is no question yet of any formal resumption of diplomatic relations, but there are regular contacts at official level. Maintaining Iraq's territorial integrity is viewed in Cairo as an essential bulwark in restraining the ambitions of Iran, especially in the south of the country where most Shias live and where Tehran might hope to exert the greatest influence.

Foreign ministry officials are rather more reticent, however, about the extent to which Iran may be seeking to destabilise Egypt, one of Mr Mubarak's most repeated themes before and during his visit to the US.

Officials prefer to say that relations with Iran will be frozen at the present non-ambassadorial level until Tehran again speaks with a single, authoritative voice. It is also largely accepted in Cairo that the idea of Egypt and Syria joining the six countries of the Gulf Co-operation Council for the defence of Kuwait – the so-called six-plus-two arrangement – is not viable.

Instead, what may be re-emerging is the Arab Military Industries Organisation, a body set up in the mid-1970s whereby the Gulf countries invested in armaments manufacturing in Egypt.

The arrangement collapsed, amid mutual recrimination and arguments over money, after Mr Sadat's peace overtures to Israel. But Kuwait has now expressed interest in reviving the project.

The main foreign policy focus, however, remains the Arab-Israeli peace process, which has been given a renewed imperative in Egyptian eyes by the extent to which radical Islamic groups are gaining ground in the occupied territories and more generally in the region.

As the only Arab leader who speaks openly to the Israelis, Mr Mubarak is able to act as both conciliator and conduit, but with all parties also able to have direct contact with the US Administration it is also a role which has clear limitations. Where Egypt's experience is of considerable value is in the tactics of negotiating with Israel.

As the only Arab country to have successfully concluded negotiations with Israel, senior Egyptians who took part in that process provide regular advice to the four Arab delegations in Washington on how best to proceed. Officials in Cairo are convinced that the principles of an Israel-Syria agreement on the Golan Heights are almost in place, and the key issues to be resolved are now primarily technical – that is, the timing of Israel's withdrawal, the security arrangements to be put in place, and the parallel moves Syria will make in normalising relations.

Far more difficult is the Palestinian issue. But if Israel can be persuaded to table again the full agreement on interim autonomy (negotiated between the Egyptians and Israel at Camp David in 1978), the peace process could be given a significant lift.

Mr Mubarak has been notably complimentary about Mr Yitzhak Rabin, Israel's prime minister: an acknowledgement of the belief in Cairo that he may be the best chance the Arabs have of winning an agreement and that, as the president put it, the last train for peace may be about to depart.

مكتبة من الأصل

هكذا من الأصل

John Rodenbeck considers the threat to Cairo's architectural remnants of centuries of power and glory

A heritage worthy of world attention

Tourists who want to see Cairo's medieval quarters had better hurry.

In the golden days before 1939, when Egypt still had grand hotels and a Season that ran from October to May, the main attraction for foreign visitors was not pharaonic monuments or Red Sea beaches, but the Egyptian climate and the city of Cairo.

Nearly all tourists were Northern Europeans or Americans; and many spent their entire winter in Egypt: well-heeled refugees from the cold, damp and darkness of winter-time London or New York.

The experienced traveller might then move on to Luxor and Aswan. On November 10 of each year Thomas Cook & Son's famous paddle steamer *Arabia* would depart from Cairo, inaugurating the first of its 20-day cruises upstream to Aswan and back.

For visitors who wanted more time to loll under Nubian sun, Thomas Cook maintained a fleet of seven private steamers, four sail-powered *dahabiyyahs*, and the slow sternwheeler *Thebes*, which would leave Cairo on November 17, taking two full weeks to arrive at Aswan. There most passengers would stay on in the Cataract Hotel for an additional week or two before making an equally leisurely return cruise back downstream to Cairo.

When Thomas Cook's last steamer left Aswan – always on March 23 – the Upper Egyptian season ended. By March 31 the most famous hotels in both Luxor and Aswan would have closed down and would not reopen until the middle of the following November.

In Cairo the season was much longer. The Mena House received guests from October 15 to May 15; and though the famous roof terrace at the Semiramis was open only from November 20 to April 20, the hotel itself actually operated all year round, as did Shepheard's, the Continental, the Savoy, and the Heliopolis Palace. Night life, designed for the young and rich, was strenuous.

Apart from its glamorous social life, Cairo's main prewar attraction was its picturesque historic zone: the ramshackle medieval quarters that have formed the physical and the moral core of the city and have given it a unique architectural identity.

It contains most of the remarkable remnants of those centuries of power and glory, between AD 642 and 1517, when Cairo grew into the largest city in the world west of China, with a high street 13 kilometres long. What is left is still an area larger than Venice, though much of it is ruinous and nearly all of it is given over to slums.

Hundreds of monumental buildings, however, most of them intact to a striking degree, still line thoroughfares laid out in the 14th century at the latest.

From 1881 until the Egyptian revolution of 1952 these individual buildings were looked after by a *Comité de Conservation des Monuments de l'Art Arabe*, which worked effectively within the international norms of the period. Meanwhile the Cairo governorate remained responsible for infrastructure, while the Ministry of Awqaf (Mortmain Endowments) held the deeds to most of the buildings.

After Hitler's war, however, the historic zone seems to have been virtually forgotten by everyone except the *Comité* and the people who actually lived there. Tourism returned to Egypt very slowly – no important new hotel was built in Cairo between 1910 and 1959 – without recovering the impetus supplied before the war by chic. The jet set and the Beautiful People passed Egypt by.

Meanwhile the nature of tourism itself had changed. The historic zone now sees only a few foreign visitors every year, mostly either low-budget strays or architectural experts with particular objectives.

Under the Revolution the *Comité* was dissolved. Its responsibilities were vested in the Egyptian Antiquities Organisation (EAO), which admits that, until 1979, it has done badly by both the area and its monuments.


The pharaonic monuments, rescued by Egyptologists during the past 150 years, are routinely surrendered to the requirements of package tourism

That year the EAO requested at last that the entire zone be added to Unesco's World Heritage list; and official attention has been given to it intermittently since. Between 1983 and 1988, for example, it had the EAO's top priority. Several important projects were carried out, with considerable co-operation from the governorate, though little was done to upgrade infrastructure.

Outstanding among its monuments are the mosques and religious schools built by great patrons between the 7th century AD and the beginning of the 20th century.

But there are also palaces, caravanserais, apartment blocks, workshops, and plenty of bustling markets, often no more than wide places in the road, where merchants of all kinds – stall keepers, hawkers, tradeswomen – foregather, Oriental-style, to sell specific wares.

It is these vivifying parts of the city that provide the symbolic settings in the Cairo novels of Egypt's Nobel prize-winner, Naguib Mahfouz.

The country's pharaonic monuments, a non-renewable resource, are now routinely surrendered to the requirements of package tourism. Rescued from oblivion only by the heroic labours of generations of Egyptologists during the past 150 years, they are being exploited quickly and thoroughly. Conservation efforts cannot keep pace with the casual destruction that results from massive continuous human presence.

The ministries of culture and tourism would undoubtedly be delighted to herd the same foreign multitudes into the medieval monuments of Cairo. For better or worse, however, Cairo's historic zone is immune to such treatment.

Some of its narrow streets have at last been blocked off to vehicular traffic. Walking is now quieter, as well as safer and easier. Parking remains limited, however, and there is no room for package-tour buses except in approach areas on distant peripheries.

Sanitary conditions generally leave so much to be desired that they are driving out even the native residents. As the population has diminished, derelicts have been left behind – the mentally and physically handicapped are much in evidence – to deepen and confirm official disdain of the populace.

Government attitudes typically have had less to do with resolution to improve matters than with a sense of shame, regardless of what aesthetes might say about historical pride or architectural beauty. Such attitudes are demonstrated everywhere, in neglect and obvious decay.

But liveliness, charm, and a rich variety of visual delights are still available in plenty for the visitor willing to take very little trouble; a three-hour walk through the city's medieval heart is the same exhilarating experience it must have been six decades or six centuries ago.

How much longer the experience will continue to be available is somewhat problematic. On October 12 1992 at 3.14 pm an earthquake centred more than 50 kilometres to the south west hit Cairo. Measuring 5.9 on the Richter scale, it lasted 20 seconds and wrought extensive destruction in villages near the epicentre.

In Cairo itself a few recently built apartment blocks collapsed, some during the main shock, others in the course of the next several days. But all the city's medieval monuments which had remained standing before the earthquake, survived.

Of the most vulnerable parts of monumental structures – minarets – only one collapsed. Damage ranged from displaced brass or copper finials or lost portions of upper storeys, to serious destabilisation of lower sections.

Only one dome fell. Old cracks in walls widened; many new ones appeared. Confused spokesmen finally agreed that 174 medieval monuments had officially suffered damage.

The worst of it had been prophesied a dozen years earlier by Professor Ron Lewcock of Cambridge, a leading expert on the restoration and conservation of medieval Islamic buildings, then acting for Unesco as adviser to the EAO.

The street he had pinpointed as the most dangerously dilapidated in Cairo had been allowed to become a main artery for heavy traffic. Medieval buildings already declared unsafe had thus been additionally pounded by the passage of buses and lorries day and night for a decade.

After the earthquake the EAO was quick to make dramatic gestures. Dozens of monuments are now theatrically screened in scaffolding and repairs are being made throughout the historic zone. At least 10 private contractors, including Osman Ahmed Osman and Hassan Allam, the largest in Egypt, have been hired by the EAO to carry out repairs. Several foreign agencies have joined them, believing that now might be the time to galvanise both the EAO and the Cairo governorate into effective long term action to preserve this heritage.

But none of these firms, agencies, governments or government bureaux has announced any large-scale long-term programme.

For reasons never made clear, the historic zone was specifically excluded from the city's Wastewater Masterplan, implemented since 1979 with $10bn worth of foreign aid. Most experts believe that unless the historic zone is properly drained it is futile to pour money into restoration.

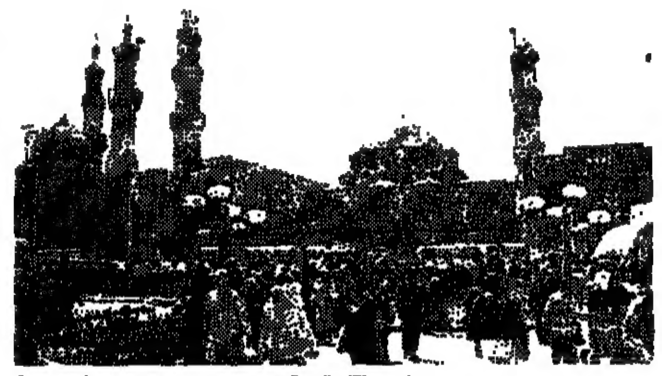
An international conference on the historic zone will be held in Cairo in June. This may have some influence over its fate. There are important elements in the government, however, whose idea of preserving the heritage is to create a kind of Islamo-Disneyland.

Some signs give cause for unease. In February and March this year the Cairo governorate used bulldozers to destroy the stands of *bouquinistes* in Azbakkyah and al-Azhar, where they had long been an essential part of traditional Cairene culture. And plans have been unveiled to remove the Bab al-Nasr cemetery, an historic graveyard immediately in front of the two northern gates of the 11th century enclosure of Al-Qahirah, from which Cairo takes its name.

This graveyard provided not only the setting for the last half of Mahfouz's 1960 novel, The Thief and the Dogs, but also a last resting place for Badr al-Gamali (died 1094 AD), the great general who built the two gates; for the historians Ibn Khaldun (1332-1406) and Maqrizi (1364-1442); and for John Lewis Burckhardt (1784-1817), the Anglo-Swiss explorer-ethnographer – together with thousands of other less celebrated folk. Once it is gone, and development on its site begins, ambitions for the rest of the historic zone may change radically.

Land values have already begun to rocket. In one recent court case involving an important site, the EAO's argument for protection on the basis of current law was rejected in favour of a developer's right to do what he likes.

Doctor Rodenbeck lectures at the American University in Cairo. He is the chairman of the Society for the Preservation of the Architectural Resources of Egypt and has lived in Cairo for 25 years.


One of the mosques near Khan El-Khalili market

Roger Matthews and Mark Nicholson interviewed President Hosni Mubarak in Cairo recently

To make reforms you need money

How much of a threat to the government and country do you consider the recent violence from extremists?

From what I read in the western media, if I did not live here, I would say the country is collapsing. Look, the problem we have, I consider, is very normal. It is not a threat to the regime, as mentioned by the Iranians and their followers. The nature of the Egyptians is completely different from the Iranians. When I read the newspapers outside, I feel you are all living in another atmosphere. These bombings are happening everywhere. How many bombs occur in London in one week? It is something unusual in Egypt, which made all the media concentrate on it.

But surely it is worse than it has been in the past?

It is worse because these elements who are here – they use the word Islam but they have no idea about it – they are being pushed by some elements. These people were in Afghanistan. They were earning a lot of money there under the Mujahedeen. After that problem came to an end, some elements went to Pakistan, in Peshawar, where there is a collection of extremists from all countries who wanted to destabilise countries. They were persuaded by the Iranians now, and mainly the Iranians, who are giving them a small amount of money. They are pushing them to destabilise the regimes in their countries.

Most of them returned from Afghanistan, from Pakistan, to Iran where they were briefed how to make problems, then to Sudan. From Sudan via Libya they started coming here. And the intelligence people here know them by name. They know their histories. We were watching them at that time. Then they started making explosions. At the beginning for us it was shocking.

There has been some criticism about the vigour with which the security forces have been rooting out extremists. Do you think they have been heavy-handed?

Not to that extent. The police will react and they have some criminals using machine guns against them. You are killing me. You are shooting me. You are throwing bombs against me. Do you think that the police will tell them "hello" and give them a cup of tea and a gâteau? The police at the beginning never used machine guns. But when several police were killed, they started being very conscious of defending themselves. But there is a big exaggeration about this. The extremists are much more violent than the police.

Will it take long to reach another deal with the IMF and the World Bank? What progress do you expect to make on privatisation?

They are discussing everything now, and I think there will be no problems. We are focusing our talks on privatisation with the World Bank. But you in Britain, did you make privatisation overnight? We are making privatisation on a gradual basis.

Some argue that progress is too gradual.

At the start, when we thought of privatisation, the people were furious.

Because they are not used to this, they think that when this transfer of companies in the public sector to the private sector comes, they are going to lose jobs, they are going to lose money.

When people have gone through the privatisation, the people will find that we are not bluffing them, and the acceleration will be much more. We have to consider the psychological aspect of the people, or we will face a setback.

How important is it for the government to address the poorer areas and unemployment, as a potential breeding ground for extremism?

When I took office I had lots of problems economically. We were just about to collapse. The economic problems were terrible. So we started a programme for reform, and it took a long time to convince the people.

And I cannot solve all the problems at once. We have so many rural areas around Cairo, for example. And we made plans to modernise here, put in facilities and services for them, but it takes billions and billions of dollars.

I have also insisted on putting factories in Upper Egypt – even though all the people in Upper Egypt want to make factories in Lower Egypt – in Alexandria and near Cairo. I am pushing them. I am making new cities in the desert in Upper Egypt. It's the best way of making sure they have some advantages, to make the factories there.

In the past 10 years we have built 2m flats. These flats were not built in the previous 30 years, 40 years. We are doing the maximum.

Telephones – when I took office we had only half a million lines, three hundred thousand of them were dead. If you wanted to telephone from Heliopolis to Cairo, it was quicker to get in a car, or walk. In the past 10 years we've made 2.5m lines. From anywhere in Egypt you can contact Japan, the United States, Saudi Arabia.

Roads? We've built 30,000km, paved 15,000km. I'm just telling you about the problems we've met and what it cost us to solve them. I can't go through every affected area – electricity, communications, infrastructure, sewage . . .

It's cost us money. To make reforms you need money. Our revenues are limited. If we had money, we could have done it before.

What political lessons did you learn from the recent Algerian experience?

I was expecting it before it took place. I was following the news all over the world, every day. I spoke with the former president of Algeria a year before the crisis took place, and I told him that religious problems in our part of the world are dangerous, so be careful. And I was advising him very sincerely, because I was watching everything that was happening there.

Do you know what he told me? The FIS should be active. I cannot do anything. Either full democracy, full freedom, or nothing. I didn't speak any more words with him.

One week before the crisis took place I was in the bookfair at a seminar. One of the journalists asked me: what do you expect in Algiers? I smelt that something was going to happen.

But believe me, this will not last long. I don't think these elements will take over. The Algerians are very tough and they are trying to defeat all these things in the country, but it will take some time. There is no comparison between what happened in Algeria and in Egypt. Never think of comparing that. We have completely different characters, different thinking, completely different people.

How long do you think it will take to eradicate the problem in Egypt?

The problems we have here? A couple of months. We hope, I hope.

You have taken steps since becoming president to liberalise political life here, with political parties and elections. Are you planning greater steps along that road?

I made one step for the professional associations, to increase the base of elections. They became furious. The small groups, the religious groups in these associations. We started this law because so many university professors were criticising the law that was giving the rights to these small groups to speak in the name of thousands and thousands in the associations.

Their association has 140,000 members, but those who vote for the election of the chairman? Three or four thousand. It is impossible, and these professors were furious.

For me it was astonishing. I told them, do you want the government to do something for you? Why don't you go for your elections? If you want anything, the government is not going to do anything. You go to the parliament.

They made a proposal to the parliament. Elections need 50 per cent turnout in the first round, then 33 per cent for the next round. It's a democratic law. Some people have called it repressive. Repressive? We would like the representatives to represent the majority. Democracy is the rule of the majority. It's not the rule of the minority.

Do you have any intention of naming a vice president?

First, naming the vice president does not mean he is going to be elected as president. Leave the people to say who will be the next president, not me. If I could find a figure, a political figure. It is very difficult to find the person.

If I could find someone to fit the job of vice president I would be very pleased to name somebody else to help me. The problem is, we have so many good people, but the vice-president needs special qualifications. When I find somebody with these qualifications I'd love him to take the job.

What would be the qualities necessary for someone to be a suitable candidate for vice president?

Sincere. A hard worker. To have a conception of democracy, and not say, whenever anything happens, "Oh, we'll put them in jail" – which is the easy way. Someone who is patient.

President Hosni Mubarak of Egypt, now nearing the end of his second six year term in office. His continued liberalism compares favourably with his predecessors, President Sadat and, earlier, President Nasser *Picture: Barry Iverson*

Noon prayers at the El-Azhar mosque in Cairo *Picture: Tony Andrews*